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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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RECENT CEMA SUMMIT MEETING EVALUATED

Sofia RABOTNICHESKO DELO in Bulgarian 17 Jun 84 p 1

[Editorial: "In an Ascending Line"]

[Text] The economic conference of the top party and state leaderships of the member countries of the Council for Economic Mutual Assistance concluded with the taking of decisions which are of an exceptionally important, historic character. They mark a qualitatively new stage in the further intensification and improvement in the cooperation of the fraternal states united by common fundamental class interests and the ideology of Marxism-Leninism and socialist internationalism.

The conference adopted a Declaration on Basic Directions in the Further Development and Intensification of Economic, Scientific and Technical Cooperation among CEMA-member countries and a Declaration of Member Countries of the Council for Economic Mutual Assistance on the Preservation of Peace and International Economic Cooperation. Both documents are of a programmatic, long-term, forward-looking character and reflect in present-day perspective the epoch-making changes in international relations as a result of the existence and strengthening of the fraternal community of the countries of real socialism and of its decisive influence on the course of the world historical process.

In taking note of the objective necessity for the taking of these decisions and of the significant changes that have occurred during the period since the previous similar conference of the fraternal socialist states in 1969, Comrade Konstantin Chernenko in his speech at the reception in the Kremlin in honor of the participating delegations emphasized, "In the past 15 years the socialist community has doubled industrial production while capitalism has increased its by less than one-third. But the question, of course, is not just one of the pace of economic growth. The fundamental social advantages of our system have been evinced too. Socialism has shown in practice that it is a society of genuine equality and progress, of continuous economic advance, a society in which the interests of the working class, of laboring people are put first."

The decisions of the conference are aimed at still further and comprehensive utilization of the advantages of the socialist system, its tremendous potentialities for a mighty and upward development of productive forces as the basic

factor in the ceaseless enhancement of the workers' material and spiritual welfare.

All the policy decisions embodied in the Declaration on Basic Directions in the Further Development and Intensification of Economic, Scientific and Technical Cooperation among CEMA-Member Countries are completely subordinated to this high goal. At the same time this document is a genuine charter of the fraternal states' collective economic strategy and of their inestimably important contribution to the enriching of Marxist-Leninist theory and practice based on the sound principles of socialist internationalism.

In stressing these pregnant features of an innovative nature and the effective force of the conference's decisions, it must be noted first and foremost that a great and remarkable step forward has been made in coordinating the economic policy of the fraternal states of real socialism. The objectives of that policy are the most important goals of their cooperation in the sphere of economic life: making an accelerated transition of the economy to intensive development and enhancing its efficiency; ensuring the growth of social production as the basis for strengthening the material and technical base of socialist society and for enhancing the people's well-being; elevating the technical level, reliability, durability and quality of output, and expanded and accelerated updating of output mix; developing export potential, above all in the manufacturing sectors of industry; allocating productive forces more rationally.

Coordinated economic policy will be effected by devising on a collective basis ways to solve the major economic problems that are of mutual interest and of great significance for the determination by each of the fraternal countries of the lines of economic development and cooperation in the longer term. Another important direction in the policy will be the joint determination of ways of cooperating directly in the sphere of science, technology, physical production and capital construction.

The basic conference document points out that the coordination of national economic plans will concentrate on the solution of priority problems and will be the chief means of harmonizing economic policy in the areas related to mutual collaboration.

Unanimous agreement was reached that wide-scale development of production subcontracting and the establishment of direct contacts between trusts, enterprises and organizations must be regarded as an important direction to take for improvement of the economic mechanism of cooperation and for enhancement of its efficiency. For these purposes the CEMA-member countries will take measures to grant the powers they need and to create such conditions as are needed for cooperation. Favorable conditions will likewise be created for establishing joint firms, enterprises and other international economic organizations and for profit-and-loss accounting.

Agreement was reached regarding the joint development, on the basis of national programs, of a comprehensive 15- to 20-year program of scientific and technical progress as the basis for the development of a coordinated--and in some fields also unified--scientific and technical policy for the purpose of solving as

soon as possible by joint efforts the most important questions in the area of science and technology and of introducing the results achieved into production in the interested countries on a mutually advantageous basis.

The tremendous significance of these decisions lies also in their orientation towards a long-term outlook. Their consistent implementation will give new impetus to the further upward development of the national economies and mutual cooperation of the fraternal countries, to an increase in the prestige and attraction of socialism in the world.

Through the Declaration of the CEMA-Member Countries on the Preservation of Peace and International Economic Cooperation, the Moscow conference gave one more striking proof that socialism and peace, socialism and social progress are inseparable. Through this remarkable document a clear and categorical declaration was made that all those who are striving to abolish discrimination and every kind of exploitation in international economic relations and to avert the threat of nuclear catastrophe and the dangerous testing of forces which the imperialist circles and above all the United States are thrusting on the nations, have their natural ally in the person of the fraternal countries of real socialism.

The Bulgarian People's Republic was among the founding states of the Council for Economic Mutual Assistance and has always contributed greatly to the ceaseless intensification and improvement of collaboration and cooperation among the countries of the socialist community. Our people greet with ardent approval the participation of the Bulgarian party and government delegation headed by Comrade Todor Zhivkov in the economic summit conference in Moscow and the memorable decisions taken there. And with their characteristic internationalism, under the leadership of the BCP they will work selflessly for their implementation.

6474
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SKODAEXPORT TRADE WITH LATIN AMERICA DISCUSSED

Prague SVET HOSPODARSTVI in Czech 17 May 84 p 3

[Article by "vkl": "Energy Equipment Exports"]

[Text] The construction of new power plant capacity has become the basis for development programs in a number of Latin American countries which have been carried out over the past quarter-century. The first deliveries of Czechoslovak energy facilities to those countries contributed significantly to the development of cooperation in that field.

In the 1960's, the Republic of Cuba became an important customer for energy equipment. In the construction of the first electric power plants contracted by PZO foreign trade enterprise Skodaexport, the main supplier was the Skoda Plzen enterprise group and I. BZKG with a number of subsuppliers, while the CKD [Ceskomoravska-Kolben-Danek] Blansko kraj enterprise was the main supplier of hydroelectric power plants.

The first hydroelectric power equipment was delivered for Rio Yara with two Francis-type turbines, each of 1530 kW output, and for Hanabanilla with one Francis-type turbine of 16.7 MW output.

The Republic of Cuba has become one of the biggest customers of PZO Skodaexport for supplies of equipment for steam generating plants produced by the Skoda concern of affiliated enterprises. In 1977 there was a contract made for delivery of an additional three sections for the Nuevitas power plant, that is, sections 4 through 6, each with 125 MW output, in addition to the first series of steam power plants Nuevitas sections 1 and 2 (2 X 64 MW), Regla (1 X 64 MW), Tallapiedra (1 X 64 MW), Hector Pavon (1 X 33 MW), O'Bourke (2 X 33 MW), and Nuevitas section 3 (1 X 64 MW). Dozens of Czechoslovak specialists have been working for years at the Nuevitas steam power plant. This electric power plant has therefore become an important base for training Cuban specialists who, after training, are transferred according to need to other energy facilities which are operating or being built in Cuba.

An important step in further cooperation is the contract signed in January 1983 for the delivery of two complete sections for the Felton electric power plant, with a total output of 250 MW.

In Brazil the first order in the field of hydroelectric energy was obtained for the supply of three Kaplan-type hydroelectric turbines, each of 48.7 MW output, which were produced by CKD Blansko for the Sao Paulo Electric Company (CESP). Next was a second construction project on the Tiete River, which runs through the state of Sao Paulo.

On the basis of good experience with this order, a further contract was signed for another level of falls on the Tiete River, this one for technical equipment for the Ibitenga hydroelectric power plant, again with three Kaplan-type turbines of 45 MW output each. The overall system of energy and hydrological utilization of the Tiete River was completed with the Promissao hydroelectric power plant, for which the Skodaexport foreign trade enterprise delivered once again three Kaplan-type turbines with a total output of 90.8 MW. All deliveries for these three hydroelectric power plants met the prescribed parameters within the guarantee limits and became a good reference for Skodaexport. In the meantime, Skodaexport contracted with the Golas Electric Company (CELG) as well for three Kaplan-type turbines for the Cachceira Dourada waterworks on the Paranaiba River, with 55.1 MW total output.

The completion of those contracts by PZO Skodaexport in cooperation with the Skoda concern of affiliated enterprises in the 1960's represented an important share of Brazilian energy investments for Czechoslovakia. Brazil, as a country with enormous hydroelectric potential, at that time was fully oriented toward the construction of hydroelectric power plants which always made up 90 to 95 percent of the installed capacity. At the same time that Skodaexport was working on the Tiete River falls and in the state of Golas, other hydroelectric works were growing and the Brazilian production of hydroelectric turbines and generators was being developed.

While Skodaexport and the Skoda concern was at a standstill in the 1960's as far as the development of Brazilian hydroelectric power was concerned, from the 1970's on they led in participation in the construction of steam power plants. Because of the almost inexhaustible hydro potential, for many years steam power generation took a back seat in Brazil. In connection with resolving the problems of dry spells in various parts of the country and also the development of coal mining in the southern part of the country, Brazil also began to build steam power plants. The first small steam power plant of 3 X 7.5 MW was delivered in 1961 and installed down south in Porto Alegre. In the 1970's, there were three sections of 125 MW delivered and the Igarape power plant got a 125 MW oil burner for the Minas Gerais Electric Company (CEMIG). The operation of this power plant after it was put into operation in 1978 was unfavorably affected by the rise in petroleum prices. With regard to the fact that even an eventual switch-over to burning coal would not be economical because of the expenses connected with transporting coal in southern Brazil, they are considering suitable locations to which the power plant could be moved after disassembly and the necessary boiler modification so as to place it in the south near the coal beds. Another power plant, the 2 X 125 MW Jorge Lacerda III built in the state of Santa Catarina in southern Brazil, has a much better history and has become one of the showpiece construction projects for the Skoda trademark; after several years operation it is in excellent shape. Elektrosul, our customer, is so happy with supplies from the CSSR and

cooperation with Czechoslovak specialists that in December 1981 it signed a contract without international competition for the expansion of that power plant with another 350 MW section, the imported portion of which involves Skodaexport cooperation with the Italian company Ansaldo and the West German firm Deutsche Babcock.

Just as Brazilian industry in the 1960's rapidly mastered the production of hydroelectric turbines and generators of the largest outputs installed in Brazil and thus substantially avoided the need for imports in that field, a similar situation occurred at the close of the 1970's in steam power generation, as coal mining grew along with its utilization in various areas, including steam power generation.

The tradition of PZO Skodaexport participation in the construction of Argentina's energy base has a somewhat different development from that of Brazil. It starts in the early 1960's with the isolated delivery of steam power sections of 7.5 MW output. The most important era of cooperation begins in the mid-1970's, when several contracts were signed over a period of time. On the basis of these contracts, Skodaexport delivered two 22 MW turbines with regulated steam consumption from the affiliated enterprise First Brno Machine Works for the largest Argentinian petroleum refinery in the city of La Plata for the state company Yacimientos Petroliferos Fiscales. Connected with Argentinian-made generators, the turbines have been ensuring the supply of energy and 2 X 120 tons of technological steam per hour for use by the refinery since November 1981. The equipment supplied has worked quite reliably from the beginning.

The main equipment for two hydroelectric plants on the Diamante River in the foothills of the Andes near the city of San Rafael, the Agua del Toro and Los Reyunos electric power plants, was produced by the affiliated enterprises of CKD Blansko and Skoda Plzen. In the first case, it is a classic hydroelectric plant with two Francis-type turbines of 65 MW output, each with a rotor diameter of 2860 mm. The second is a pumped storage hydroelectric plant with a higher spillway dam with two reserve Francis-type turbines of 6000 mm rotor diameter. The average output of each turbine is 112 MW in turbine operation, while in pumping operation the equipment works to give a lift of 104 meters and a volume of water amounting to 123 square meters per second at the maximum drive of 104.33 MW.

PZO Skodaexport provided both electric power plants for the state company Agua y Energia Electrica. The Agua del Toro power plant was built in consortium with the Argentinian firm Ormas and the Les Reyunos electric power plant in cooperation with the Argentinian firms AFNE (for a number of machine equipment components) and SIAM (for components for motor generators and starter motors).

The Agua del Toro electric power plant was delivered to the customer and officially put into operation in November 1982. In subsequent measurements for the guarantee, it met or exceeded the guaranteed values for both items of equipment. The official delivery of the Los Reyunos hydroelectric power plant took place on 18 November 1983.

Skodaexport delivered equipment for this same state energy company Agua y Energia Electrica in the form of two turbine complexes, each of 60 MW output, for the Guemes steam power plant in the northern Argentinian province of Salta. The equipment was produced at the Skoda kraj enterprise in Plzen and was officially put into operation as part of the overall electric power plant on 15 July 1983. On 14 October 1983 operation of the third section of the Lujan de Cuyo electric power plant was officially begun with 125 MW output, which Skodaexport delivered as a turnkey operation with considerable cooperative work with Argentinian firms. They provided the construction, part of the technological materials, and ground transportation of all imported and domestic equipment and assemblies.

The Skodaexport foreign trade enterprise thus succeeded in putting four electric power plants into operation in Argentina in 1 year, from November 1982 to November 1983.

Until recently the Republic of Peru got its electrical energy mainly from hydroelectric power plants and from diesel-powered stations set up according to the need of the moment in various parts of the country. Therefore, the equipment for the first steam powered plants for the cities of Iquitos and Pucallpa delivered by PZO Skodaexport in the 1970's and produced by the First Brno Machine Works kraj enterprise each represent with the 2 X 10 MW outputs the first significant energy source from steam powered stations for Peru.

In the years 1979 and 1980, Skodaexport signed contracts with the Peruvian company Electroperu for the turnkey construction of both electric power plants. The Iquitos power plant was put into operation by the President of Peru, Belaunde Terry, in June 1982 and after the guarantee check-out period of operation was totally turned over to the customer in August 1983. Construction of the electric power plant in the city of Pucallpa is taking place in the very difficult conditions of the Amazon primeval forest on the banks of a lagoon which forms the upper reaches of the south branch of the Amazon, the Ucayali River. The lagoon is inhabited by rare types of animals in a nature preserve, and this created strict requirements for the operations of the power plant affecting the water conditions.

In Mexico, Skodaexport has since 1978 participated in offering equipment produced by the Skoda-affiliated enterprise or the CKD Blansko kraj enterprise in several competitions, which are advertised in a separate way according to the main installations for steam and hydroelectric power plants. Skodaexport was successful in participating in the competition for supplying four Kaplan-type turbines of 106 MW for the Penitas hydroelectric power plant. Currently, the CKD Blansko kraj enterprise is proceeding with delivery of the turbines.

Skodaexport and its main suppliers from the Skoda concern, including the affiliated enterprise CKD Blansko, the First Brno Machine Works and SES Tlmace, are paying close attention to supplying energy equipment to Latin America. All of the power plants, both steam and hydroelectric, are working well right from the start and are a good reference as to what each manufacturer and supplier expects from his work. Skodaexport will continue its efforts to spread the good name of Czechoslovak products in these markets.

6285
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OUTLOOK FOR WORK FORCE IN AGRICULTURE

Prague ZEMEDELSKE NOVINY in Czech 17 May 84 p 3

[Article by Eng Zdenek Kviz, CSR Ministry of Agriculture and Food: "Long-Term Labor Outlook in Agriculture"]

[Text] The work force is one of the limited resources available to the agriculture and food complex. The structural changes in the national economy to be carried out by the year 1995 (2000) now being considered make it necessary to evaluate at the present time the past trends in the renewal of the labor force and to assess the long-term labor requirements necessary for the implementation of target-oriented programs emanating from social needs. It is also necessary to take into account those limiting factors which adversely affect the area of basic agricultural production and processing industry supervised by the Ministry of Agriculture and Food.

To evaluate the situation properly we must take as the basis the number of permanent workers as of 1 February 1984 and adjust it for individual periods of future 5-year plans.

People Are Getting Fewer and Older

Past periods have been marked by considerable decreases in the work force. An analysis of the trend in the work force in basic agricultural production of the state and cooperative sector during the Sixth 5-Year Plan reveals that, in addition to the decrease in the number of workers, a regrouping in the job structure and labor categories took place (Table 1).

Table 1

Changes in job structure in basic agricultural production

Permanent blue-collar workers, total	-64,170
Tractor and combine operators	- 5,962
Coachmen	- 4,133
Other blue-collar workers in crop production	-44,280
Attendants to: milk cows	- 3,537
other cattle	- 6,122
sows	- 1,058
other pigs	- 630
sheep	- 12
poultry	- 1,776

(Cont) Table 1

Other blue-collar workers in livestock production	-3,191
Blue-collar workers in workshops incl. craftsmen	+5,174
Members of construction gangs and groups	+1,087
Truck drivers	+3,588
Other blue-collar workers	-3,318

The hypothesis that the decreases in the work force have been compensated for by the substitution of machinery for human labor cannot be accepted without reservation. These decreases have been affected by a number of unfavorable phenomena which must be taken into account when the long-term outlook for the development of agriculture is considered.

The present average age in agriculture of 42.4 years (in industry approximately 36 years), and in JZD's [unified agricultural cooperatives] of 45.3 years (men 43.1, women 47.8), offers conclusive evidence of this. Table 2 shows the unfavorable changing age structure of workers in the period of the Sixth 5-Year Plan:

Table 2

Changes in age structure of work force in agriculture during the Sixth 5-Year Plan

	State farms				JZD's			
Age	1 Feb 1975		1 Feb 1980		1 Feb 1975		1 Feb 1980	
categories	Thousands	%	Thousands	%	Thousands	%	Thousands	%
Up to 29 years	36.9	30.6	28.0	26.6	83.6	20.6	73.2	19.6
30-49 years	53.9	44.7	52.5	49.9	158.2	39.1	166.0	44.5
50-60 years	19.1	15.8	18.8	17.8	83.6	20.6	84.1	22.5
over 60	10.7	8.9	5.9	5.7	79.6	19.7	50.3	13.4
CSR total	120.6	100.0	105.2	100.0	405.0	100.0	373.6	100.0
Men, total	70.3	58.3	65.3	59.3	199.7	49.3	197.6	52.9
Women, total	50.3	41.7	41.7	40.7	205.3	50.7	176.0	47.1

The reduction of the percentage of women (state farms 1 percent, JZD's 3.6 percent) was the result of the substantially increased use of mobile equipment, which restricted their participation in the production process.

This summary makes evident a decrease in the group of workers below 29 years of age (state farms minus 4 percent, JZD's minus 1 percent), which indicates that the recruitment of young people for both sectors fell below the actual needs and failed to take care of even simple replacement. A more detailed analysis reveals that the recruitment targets for college students were met by only 83.7 percent, for high school students by 96.7 percent and for apprentices by 105.2 percent. In the last category, the quota set for repair work and mechanization was exceeded by 16.6 percent, while the quota set for attendants to domestic animals fell 4.1 percent short of the goal.

What Must Be Anticipated

The age structure of workers, including the recruitment of youth for agricultural basic production that was attained in the 1980's, foreshadows the complexity of problems to be solved during the Eighth and Ninth 5-Year Plans.

While the past periods were characterized by significant decreases in the work force in basic agricultural production, just the opposite should be anticipated in the future periods under consideration. Natural decreases will have to be fully compensated by the new productive workers.

Speculations on production and the labor requirements in agriculture derived from them are based on society's food needs and on the raw materials needed for the processing industry.

In the distribution of the labor force attention must also be focused on the industrial and suburban areas, where the inadequate labor supply today already represents a limiting factor in agricultural production increase, particularly in its qualitative aspect.

In accordance with these considerations, the Ministry of Agriculture is trying to find a solution to the long-term labor shortage in agriculture. The number of workers on 1 February 1984 is taken as the basis. The calculations of developmental trends in the number of permanent workers to the target dates of 1985, 1990 and 1995 make it clear that, due to disability, death and retirement in the next 15-year period, 334,900 workers will be leaving the production process in agriculture (state farms and JZD's), 66 percent of whom, that is, 221,000, will be women. In other words, this will involve workers who are over 45 years (men) and over 40 years (women) of age at the present time.

The Most Urgent Tasks

On the basis of the work carried out so far the following preliminary conclusions can be drawn:

-- In contrast to the period of the Sixth 5-Year Plan, the quotas for the recruitment of young people must be substantially increased, with special emphasis on on-the-job training in livestock production. In this training of young people, competence in the operation of several types of harvesting machines should be encouraged. Combinations of jobs should be introduced: agricultural machinery repairman-combine operator, technologist-mechanizer, and so on.

-- With reference to high-school and college graduates, greater emphasis should be placed on their qualification for management, for controlling more complex equipment and progressive technologies.

-- For the period under consideration room must be made for the recruitment of workers from other sectors of the national economy for the cooperative sector. Closely related to this is the necessity of employing workers of postproductive age.

-- In the future we shall also have to rely on the assistance of seasonal workers, particularly in connection with activities requiring a great deal of manual labor that will not be completely replaced by the new equipment, although it will be desirable to restrict the labor supply in these fields.

-- Small numbers of workers laid off from basic agricultural production will have to be transferred to the organizations of biological and technical services. The scope of these transfers will depend upon the effective scientific achievements and extent of technological inputs in the production processes.

-- In view of the relatively large number of women employed in livestock production and the large decrease in their number expected during the period under consideration, it will be necessary to increase the number of workers with a higher professional standard and to employ more men in livestock production.

-- Considerable attention must also be paid to a review of the scope and location of centralized housing construction. The changed conditions call for a new approach to those forms and locations of housing projects which will stabilize the labor force, particularly in industrial centers and remote borderland areas. This will require more intensive cooperation with the national committees and improvement of utilities and services in the countryside.

The analysis and suggestions for the solution of the labor shortage problem in basic agricultural production can be regarded as a methodological contribution to the work on the long-term estimates of agricultural development. The CSR Ministry of Agriculture and Food will approach this task on the basis of the guidelines approved in the second half of 1984 by the government for the Eighth 5-Year Plan. The outlook will be specified for individual years of the 5-year plan and some plan indicators will have to be worked out in a territorial breakdown. Three is therefore enough time left to all levels of management for processing all documentation, for discussion and more precise formulation of links between individual sectors of the plan.

10501
CSO: 2400/341

SOCIAL PROBLEMS CAUSED BY MANPOWER REALLOCATIONS DISCUSSED

Cologne DEUTSCHLAND ARCHIV in German No 5, May 84 pp 496-509

[Article by Dr Katharina Belwe, staff member of Gesamtdeutsches Institut, Bonn: "Fewer Produce More"]

[Text] The Problem

Not until most recently have Western media focused their attention on the manpower re-allocation practiced in the GDR since the late 1970's by a campaign started by the SED leadership in 1978 under the slogan of the "Schwedt Initiative: 'Fewer Produce More.'" Reporting on it does not always come without guesswork. That includes the contention that unemployment now also afflicts the GDR. In fact, a connection is drawn between the forcible expatriation of GDR citizens to the FRG at present, the (large) number of exit applications and the manpower re-allocation. The present article intends to present and critically discuss--eschewing all such guesswork--the official manpower re-allocation measures, the social problems for those affected by them and the strategies for resolving them. In the GDR, 8.7 million persons are working for a living, i.e. more than 50 percent of the total population of 16.7 million. One has managed to employ almost all inhabitants who are able to work.[1] The employment rate in the GDR is clearly higher than in, say, Japan, the FRG, Britain and the Netherlands. In the other German state, 93 percent of the citizens of working age are working. Despite a shrinking overall population till 1965, the GDR managed steadily to raise the proportion of working people among its total population.[2] While the manpower reserves in the GDR have meanwhile been nearly used up, GDR demographers still count on "a considerable rate of increase, in terms of GDR conditions, of working people" up to 1990. Beginning at that time, that rate is expected to level off leading by 1995 to some decline in persons employed.[3] It is to be expected, however, that the growth rates of manpower will be much smaller than previously.[4]

In view of that projection and of the ongoing automation of labor in the GDR, the question is how one can ensure for the future the SED leadership's thus far successful full-employment policy. Under labor shortage conditions, unemployment was no problem in the GDR. Still 2 years ago, "the manpower requirement for the structures projected by the five-year plan could not be fully satisfied." In the meantime, the economic manpower requirement has been "met in the planned structures."[5] Toward the end of the 1970's a campaign had been started mainly

to re-allocate manpower; its first results are now in evidence. Because "working people are to be re-allocated for other jobs to an unprecedented extent" in the future,[6] the question imposes itself whether there will not also be some day a job shortage in the GDR.

It is not likely to be coincidental that Central Committee secretary Egon Krenz, speaking before kreis council chairmen in March 1984, with reference to the long-term planning of "the employment of all available and new manpower," charged the labor offices, which hardly played any role in the past, with a "great responsibility." Not until 1979 did the labor offices resume their job coordination and procurement activity.[7] Under the slogan, "Schwedt Initiative: 'Fewer Produce More,'" the rationalization has since the late 1970's been aimed at reducing jobs, which was meant to take care of the labor shortage, a perennial GDR complaint. "Do we have insufficient labor or still too many jobs?" the SED central organ NEUES DEUTSCHLAND asked in November 1979 while unmistakably calling for rationalization on the "Schwedt Initiative" model propagated resolutely since then and to this day. While in the past two to three times as many new jobs were created than had been saved through rationalization, that trend is to be reversed in the future: Less manpower is to produce more in the GDR.[8]

The main problem the manpower planners are going to face in the GDR in the years ahead, regardless of the projected (temporary) manpower growth and of the release and re-allocation campaign in full swing at this time, will however not be that the GDR will soon have an excess of manpower over jobs.[9] Unemployment because of an excess of manpower that cannot be coped with is not likely. The difficulty will rather be to allocate the labor released through the "Schwedt Initiative" to where it is economically needed. Thus the GDR leadership is likely to experience the phenomenon of frictional unemployment.[10] "Manpower re-allocation," as Schaefer and Wahse have said, "is not merely a problem of cutting back the number of jobs, but it includes the question of reassigning the labor released," which will not always be possible in the exact same enterprise. Schaefer and Wahse ignore neither the quantitiative nor the qualitative aspects that accompany such a redistribution process.[11] To make them transparent is the aim of the present article, which intends to answer mainly two questions: How does the increased effectiveness of live labor, brought about through progressive automation, affect the constitutionally guaranteed righ to work in the GDR (the quantitative aspect)? And what are the qualitative aspects of the manpower redistribution process?

While most GDR articles on this subject confine themselves to positive reports in the form of numerical data on the re-allocated or to be re-allocated manpower in a given combine or enterprise, there yet are a notable number of articles that are frankly dicussing, or at least alluding to, the social problems affecting the working people through their being released. The contention by GDR manpower planners, that they are in control of the social conflicts that might arise through job changes, appears not to have been borne out at this point.

Manpower Re-allocation--Result of Socialist Rationalization

"Schwedt Initiative: 'Fewer Produce More'

GDR publications describe the "Schwedt Initiative" as a competition idea of the members of the VEB Petrochemical Combine, Schwedt. In 1978, those in Schwedt

evidently decided to recruit out of its own personnel manpower for new production plants through comprehensive rationalization measures. Following the model of the Soviet Polymir chemical combine, Novopolotsk, they had created "an example for a grand-style rationalization that became known in our republic by the name of 'Schwedt Initiative.'"[12] Meanwhile, many GDR combines and enterprises have in fact released manpower, following the example of the "Schwedt Initiative": "The Schwedt Petrochemical Combine parent enterprise has set standards that apply to all others."[13]

A more accurate analysis of the state of affairs reveals, however, that the "Schwedt Initiative" was the result of a resolution taken by Frankfurt/Oder SED Bezirk Management "to create an example for manpower rationalization at new dimensions." The VEB Petrochemical Combine in early January 1978 was assigned the mission "to cut back jobs up to 1982 without extra investments for a total of 2,400 manpower to be assigned to operating new plants." As in comparable cases, Frankfurt's SED leadership relied in this on Soviet experiences, specifically on the "experiences of the Soviet Polymir production association at Novopolotsk."[14]

Releasing the 2,400 manpower was to proceed gradually; the job cutback, it was decided, was to come to 800 in 1979, 780 in 1980, 460 in 1981, and 360 in 1982. More than 20 percent of the work force in the parent enterprise of the Schwedt VEB Petrochemical Combine, founded in 1970, was to be re-allocated by 1982, i.e., one out of every five workers was to be assigned to "new production installations in the enterprise, to constructing means of rationalization, and to other sectors."[15] And by the 10th SED Congress in May 1981, as many as 1,840 workers had in fact been re-allocated in Schwedt. That also included 511 committed to new installations, not resortet to, however, when manpower requirements were held below the level originally anticipated, that still have to be counted among the re-allocation. The cutback of the still remaining 360 jobs was declared an object of the "conception on conducting the competition after the 10th party congress," which meant the "Schwedt Initiative" was to be concluded one year earlier than scheduled. According to the latest information, a total of 28 percent of the work force in the Petrochemical Combine has been released and re-allocated. Another 12 percent is expected to follow between 1983 and 1985.[16]

Following the model of the "Schwedt Initiative," many other GDR combines and enterprises have meanwhile released manpower for reassignment to new plants in their own or other enterprises, or they have reduced the manpower requirements for investment projects already decided on, whereby they then did not resort to the already firmly committed manpower totals. In the last 3 years, a total of 200,000 workers and employees in the GDR was affected by release and re-allocation measures, 76,000 of them in 1983. In accordance with the most recent information in EKONOMICHESKAYA GAZETA, quoted in NEUES DEUTSCHLAND, through the use of new procedures in GDR industry and construction, "the labor of 320,000 working people can be saved this year." This does not mean that there will be a release or re-allocation of 320,000 workers in 1984. What it rather amounts to is a production boost converted into labor--in comparison with the previous productivity level--a purely statistical magnitude, in other words.[17]

Official Manpower Re-allocation Measures

Thinking about how to cut back manpower is nothing new in the GDR. Economic management late in 1980 confronted the combines and enterprises with a new official planning parameter--"manpower to be released"--that has since been regarded as one of the chief parameters in the part of the plan that governs labor productivity and manpower. It was introduced for the purpose of inducing enterprise management "to release a considerable number of manpower for making a higher capacity use of the basic assets, for operating investments, and for expanding the capacities for a more rapid enforcement of scientific-technical progress." The planning parameter "manpower to be released" must now be balanced in manpower reporting against the account parameter of "released manpower."[18]

At about the same time, in the official "definitions for planning, cost accounting and statistics," an official definition was given of the newly introduced planning parameter, according to which "manpower to be released" is manpower that "can be assigned elswhere in consequence of scientific-technical progress measures and other measures." Reassignment should be made in the same enterprise on a different job or in a different enterprise.[19] Manpower release in this definition is deliberately confined "to the so-called physical release achieved as the result of job cutbacks."[20] So the saving of unassigned jobs (deletion of plan positions) does not count as manpower release. But if working people quit the enterprise without starting another job (old-age pension) or if their jobs are not reassigned, then this rates as manpower release in terms of the definition. This also applies, even in deviation from the above mentioned criterion of "physical release," to the case of further optimizing the manpower requirements for already committed investment projects.[21]

That meanwhile, on 14 April 1983, a decree was issued that sets down a higher rate for live labor by introducing a payroll tax that goes to the state, probably suggests the insufficient effectiveness of the planning parameter "manpower to be released" that was first assigned in 1981.[22] The "public funds contribution decree" intends to induce the combines and enterprises indirectly to cut back jobs. Since January 1984, the combines and enterprises in the centrally managed industry (those of construction starting on 1 January 1985) have to pay "public fund dues to the state" that are to be planned relative to uniform norms at 70 percent of the wage funds for workers and employees planned for any given year. They are to be paid "monthly in conformity with the normative level as related to the wage fund actually paid out," by the combine enterprises to the combine and by the combines to the state.[23] This payroll tax then induces the cutback (release) of manpower. As that can be calculated as "part of the prime costs," as the working capital, it becomes then also a component of industrial prices.[24] Whether such payroll tax can provide the financial lever[25] for saving manpower they have been seeking for years, remains to be seen. In following the logic of the procedure, the combines and enterprises should, to be sure, regard the manpower release as a plausible way to boost their net profits. Through the release of manpower in the current plan year, less will indeed be spent in wages, through which the monthly public fund dues going to the state will be smaller than according to plan. Since this, however, is a prime cost component (authorized by the Price Office) of industrial wholesale prices at the planned level, the manpower cutback in the current plan year then also results in higher net profits at the year's end. This results from the

difference between the costs acknowledged in the industrial wholesale prices (planned public funds contribution) and the total of the actual contributions made to the state in the current plan year having been reduced because of the manpower release (reduced wage funds). Up to the time that industrial wholesale prices are newly set, the cutback in manpower thus results in net profit, enterprise bonuses and performance fund increases[26] because higher industrial prime costs can be projected than are actually needed.

Social Problems in the GDR's Manpower Re-allocation

Unemployment through Manpower Re-allocation?

Even if one has to accept as a fact that the number of released manpower in the GDR is still much smaller than the economic manpower requirement, the problem of the "redistribution," i.e. that of directing and assigning the released working people, arises all the more inasmuch as manpower requirements are especially high in some GDR regions. In other, less industrialized, regions, however, more manpower can be released than is territorially required.[27] In a social order of real socialism it makes sense to redirect "excess" working people into high requirement regions. That is the purpose of the demand found in the literature in 1980, to release in the future more than before "manpower for assignment in other, economically important areas and facilities of the territory."[28] The manpower release definition takes care of that objective by explicitly including a "reassignment in a different enterprise."[29]

Yet not only manpower at a specific number, but also at a specific structure and level is needed, which entails both qualification and dequalification processes. If workers to be re-allocated to different jobs in their own or a different enterprise reject their reassignment, it means that they--unless they are kept at work under their old conditions--may be temporarily unemployed. The point is that under certain conditions combines and enterprises have the right to lay them off. GDR working people, who in case of doubt rate a good enterprise climate more highly than advancing into a higher wage group,[30] will not necessarily go along with a reassignment. Some may even turn it down flat. Whether, e.g., released management and administrative personnel for assuming other activities in production will always submit to this without conflict is highly doubtful. One may rather assume that most of those who would refuse to do so will be looking for a job of their own choice ahead of their planned release. Among those working people who submit to reassignment under constraint one may expect discontent and a later change of jobs. Many of those who first gladly accepted their release are also likely to be disappointed, being the ones who are fascinated with modern technology. So there are many indications that the release has negative effects on the ones concerned and that the "socially unncessary" fluctuation will increase further. One indication is the increase of want ads, e.g. in BERLINER ZEITUNG, noted by Western observers.[31]

In case of rationalization measures or structural changes, the combines and enterprises are under the legal obligation to sign with the working people affected by them "in good time, at least 3 months before the changes take place" an altered contract "on assuming different work that is not unreasonable."

If the intention is to re-allocate the to be released manpower in a different enterprise, an appropriate transfer contract has to be drawn up. Like an altered contract, it must be signed "in good time, at least 3 months prior to the start of the new activity."[32] "Within the first 3 months after assuming a different job, objections" are possible to an altered or transfer contract.[33] In turn, the combines and enterprises--as well as the working people themselves--can cancel an unsatisfactory labor contract if
(a) "that is necessary because of changes in the production, the structure, or the job and manpower plan of the enterprise,
(b) the worker is unsuitable for the job under contract, or
(c) the parties cannot eliminate deficiencies in the labor contract."[34]

If any one of those preconditions exists, the enterprise is under legal obligation to offer the worker "an altered contract on assuming different work that is not unreasonable or, if that is not poasible, a transfer contract." Only if the person concerned rejects that offer, the enterprise may serve notice he is fired.[35] For all that, in such a case "the worker must have definitively rejected the offer of a reasonable altered or transfer contract." The literature suggests that combines and enterprises have in a "number of cases" resorted to the righ to lay workers off, as set down in the Labor Code, or that they are threatening a to be released worker with being fired if he rejects an altered or transfer contract.[36]

According the the official manpower re-allocation definition, the cutback of a job through a lay-off notification does not count as manpower release because the implementation of the plan parameter "manpower to be released" is tied, as one knows, to a reassignment of "released manpower."[37] How much the combines and enterprises intend and are able to circumvent this "hurdle," is impossible to say at this point. Nor can it be anticipated whether the "public funds contribution decree" that went into effect on 1 January 1984 will bring it about that the combines and enterprises issue more lay-off notices and summary dismissals in the future than up to now.[37a] It is to be expected, though, from having introduced that "income tax." The persons concerned are protected from an abuse of the dismissal right through the above mentioned right to object. The conflict commission or the labor law chamber of the kreis court must, in case of litigation, above all examine whether the activity offered the working people before they were laid off was reasonable because the Labor Code explicitly demands that the working people "in an initiative coming from the enterprise on signing an altered contract were offered different yet reasonable work."[38] What is "reasonable," presumably depends on the "totality of all the circumstances." The criteria for being reasonable were given by "objective factors"; within the scope of possibilities available in the enterprise, however, personal interests of the individual were to be taken into account as well.[39] If working people object to an altered or transfer contract, the conflict commissions, apart from examnining whether the activity offered was reasonable, also have to examine "whether the worker in signing the contract was spared any undue influence."[40] Prerequisite to the legality of a new labor contract to be concluded with to be released working people, mind you, is a "genuine consensus between the contract partners." Otherwise, under litigation, the conflict commission, as requested by the party concerned, declares the altered contract null and void. Then "the former conditions of the labor law relation remain in effect."[41] In case of a transfer contract concluded with the

enterprise, a worker may object before a court to the agreement it contains on the cancellation of the previous labor contract. If that objection is reasonable, "the conflict commission in its decision has to take account of the worker's preference for carrying on either the old or the new labor relationship."[42]

Social Problems in Manpower Re-allocation and Strategies for Resolving Them.

Along with the great number of studies presenting the data and facts on manpower re-allocation in the different combines and enterprises, more and more scholarly accounts can recently, in 1983 and 1984, be found on how the social problems incurred by manpower re-allocation can be avoided or alleviated. It has been recognized that from "massively effective rationalization measures a social effect at new dimensions" results.[43] How to cope with the social processes of release and re-allocation is something the GDR's Marxist-Leninist sociology is supposed to determine, which only recently has been assigned this theme. Now the analysis of the influence the scientific-technical progress has on the working people's social situation has become a significant research emphasis in sociology.[44] In order largely to avoid possible "social problems" incurred by manpower re-allocation, a possibility definitely given currency in the literature, and to prove "that rationalization in socialism does not, as in capitalism, come at the expense of the working people--by way of unemployment,"[45] ways and means have to be found for either guiding the working people's wishes and aspirations in the sense of "social requirements" (ex post measures) or for stirring and molding them in accordance with those requirements (ex ante measures). Along with target-directed information and with involving those concerned way ahead of time in the process, GDR sociology primarily recommends for it "forming a high degree of manpower adaptability."[46] Thus sociology is facing the task to work out strategies that will make those who are affected by re-allocation measures able and willing to be assigned in multiple ways. Object-related sociological surveys paying attention to the working people's social structure and situation (sex, age, occupation, residential and family situation) are to come up with measures that "take account of industrial branch and occupation-specific, enterprise, territorial and overall social concerns."[47] They are seeking to develop re-employment conceptions that are taking account, from the outset, of the working people's interests. Because it makes much of a difference whether a job must or may be given up, labor scientist Johne thinks it extremely important to be familiar with the expectations the ones concerned have of their future activity and their vocational development. The empirical surveys needed for that are still not available as yet, however, so that enterprise managers in re-allocating manpower have to do for the time being without sociological data.[48] The demand raised in 1983, to be ready with sound scientific re-allocation conceptions long before manpower is re-allocated has thus far not been met, or only inadequately, in the GDR. Manpower release and re-allocation as practiced since the late 1970's proceeded, by and large, without knowing, and partly with indifference to, the interests of the ones concerned. The GDR's political leadership is likely to have underrated the scope of social problems released and re-allocated manpower finds itself confronted with--Schellenberger speaks of a "social effect at new dimensions."[49]

Contrary to the theoretical concepts of the sociologists, who want to avoid the social problems incurred by manpower re-allocation through positive strategies, wherefore they are sternly admonishing the responsible managers not to "persuade" the working people exclusively to the need of release and re-allocation, manpower re-allocation has in recent years mainly been prepared by way of political-ideological indoctrination.[50] Political-ideological work may be suitable for convincing the to be released manpower of the need for changing jobs, to be sure, but it is not very helpful to solving social problems. Those who are hit by the re-allocation campaign nearly always have to reconcile themselves to considerable changes in their previous working and living conditions. In 1983, it was stated in INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK that a working people's decision was needed for taking on different jobs that might entail a transfer to a different enterprise, greater psychological and nervous stress, converting to shift labor, a longer way to work, and the loss of a familiar work atmosphere and/or familiar problems.[51] While in the past special value had been placed on forming a high sense of loyalty for one's activity, occupation or enterprise, because fluctuation rated as an undesirable cost factor, now they are, conversely, propagating the ability and readiness to face new tasks: "People by and large confortable with their jobs must now seek to adapt social to personal interests within the scope of a new job."[52] They are expected to agree to being transferred to a different enterprise, even if it is actually against their personal interests. As a reason for such a transfer, "social requirements" are brought up, to which in case of doubt personal interests have to be deferred. While the point had been up to now to keep persons dissatisfied with their jobs in their enterprise from transferring to a different enterprise, because fluctuation on personal grounds was rated as "socially unnecessary," the working people now are to be ready for the meanwhile great number of "socially necessary" shifts. That such readiness is not a "matter of course" Glotz and Frank attribute "to the today often still absolute orientation toward vocational pride and traditions, loyalty toward one's activity and enterprise, and the sense of collectivity." So they think it necessary to "form the readiness for changing jobs, occupations, and places of work."[53] By that token, sociologists also champion "long-range ideological work" yet explicitly oppose the widely practiced dull indoctrination from management functionaries. What matters to them is not merely "persuading" the people concerned of the need for a job change, "but clarifying their further prospects jointly with them, inducing their active participation, and preparing them thoroughly for their new tasks."[54] This kind of indoctrination often looks very different in practice. For instance, a microprocessor took over the job of a skilled mechanic, 20 years of age, and the young woman was at short shrift "persuaded" of the conversion that had become "socially necessary." She had not been told anything about that rationalization measure. In a brief conversation the responsible managers sought to explain to her that her being shifted to a different work collective was imperative. Although she definitely turned that down, the decision (taken in advance) was sustained, and she could hardly do anything about it. In addition to the loss of human relations she was familiar with in her old brigade, the young woman had to reconcile herself to a much poorer type of work: "An unskilled worker could tackle the work just as well; I find all that much too monotonous here."[55] Much like that it was for some workers at the NARVA Combine in East Berlin, of which "hardly any of them was eager for the new job" on high-capacity assembly lines started up early in 1984. Since the work rhythm on the new jobs was twice as fast, only young people were considered for the reassignment in the first place.[56]

Both examples show the introduction of new technologies does not automatically lead to more highly skilled labor requirements. Sociologist Schellenberger now calls for accepting that as a fact. The sociologists should have to cope with the problem "that there is not only work that is physically less demanding, mentally-creatively more demanding or less hazardous, but that what is in demand simply are different work activities." So one should accept the fact that different qualifications will become necessary in the future that cannot be a priori classified as higher or lower. Of well trained working people ideologically motivated for high mobility it is to be expected that they would more readily accept labor policy decisions made by economic management.[57]

That GDR workers are increasingly inclined to accept such priorities is something sociologist Dippmann believes he can "prove" by relying on the outcome of two polls. Industrial workers in the metal working, textile and light industry in Karl-Marx-Stadt Bezirk had been surveyed in 1978 and 1983 on their "expectations of the strategy in further enforcing scientific-technical progress" in the GDR. Whereas in 1978 they still gave the priority to their personal goals, in 1983 they had pushed economic goals more to the front.[58] Characteristically, Dippmann formulates that result after having remarked that in the process of scientific-technical progress there were being generated "in its present historic phase of development jobs that make higher demands as well as, again and again, many jobs that are routine and void of content and place no optimum challenge on the working people's potentials."[59] He evidently wants to show that "those affected by the introduction of new technology have confidence in the party and government strategy on enforcing scientific-technical progress,"[60] regardless of what that means to them specifically. So he makes it easy for the political leadership in the GDR to demand such a stance from all working people. Empirical research data of that sort are highly suitable for scientifically undergirding the sociopolitical goals the party has formulated, which in turn once again underscores the political-instrumental function of Marxist-Leninist sociology. Survey results that do not match the official picture so well are simply dismissed by Dippmann as expressions of the "contradictoriness in the process of enforcing the scientific-technical progress."[61] Against the background of the demand otherwise raised in labor science literature, that skill requirements must not drop in the process of scientific-technical progress, but rather must rise, the explanations from sociologists Schellenberger and Dippmann rather sound like an admission of failure. For the time being, it seems, political-ideological indoctrination has to substitute still in the GDR for the participatory right in structuring new jobs. How else could one interpret Schellenberger's remark that "working people ideologically motivated for mobility readiness conform to the structural decisions of their managements."[62]

Among the most important changes that are imposed on to be released working people, according to Stollberg, are
(a) higher skills or, conversely, assignments not matching skills acquired,
(b) the assumption of higher responsibilities,
(c) the change in work assignments or occupations,
(d) transfer from a collective or enterprise, and
(e) transfer to a multi-shift or different shift system.[63]

As surveys have shown, there is generally a fairly high willingness on the part of the working people to go for more training in their field of occupation, depending on their age and family situation. That also is true of their willingness to assume higher responsibilities. Along with being interested in modern technology and in advancing themselves, their looking for a new type of work also plays a big part in this. Not rarely, however, it happens that those who have made a change find themsselves, after a brief breaking-in period, misled by modern technology. Large new workshops with good ventilation and lighting at times hide the fact that the work is more monotonous and more of a psychological and nervous stress.[64] Furthermore, labor intensity is going up also in the GDR. In the NARVA electric bulb combine in Berlin, workers released from their previous activities specifically for starting two new assembly lines found themselves confronted with higher skill requirements they were initially not up to: "We just couldn't get the new technology under control."[65] Working people initially fascinated with modern installations, one can generally observe, often become dissatisfied with their new working conditions after brief break-in periods.

Changes, either in one's work or in one's occupation, that neither enhance qualifications nor increase responsibilities, are, by comparison, not well understood from the outset. The readiness for it is most in evidence "where the need for a change is obvious and larger work collectives are uniformly affected,"[66] as when whole (obsolete) installations are shut down.

As an especially "important social problem in manpower release and re-allocation" is rated the "change in collective relations." As, not last, the example of the young mechanic has shown, whose job simply was "rationalized away," the GDR citizens react most sensitively to something like that. One of the reasons why the mechanic did not want to change jobs was because she was getting along very well with her colleagues. Something similar happened to the women in a brigade of a television electronics plant in Berlin, who in part had worked together for 20 years. Now, upon rationalization, they were supposed to go to where they were needed. "What had grown up for 20 years simply ceases to exist," was the comment from a longtime foremen in conversion measures.[67] Disbanding a work collective, which "in most cases" comes with job changes, is a social "burden" for the ones concerned that should not be underrated. The readiness for a change, according to Stollberg, "depends on the importance an individual attributes to his collective and on the chance to engage in a different activity jointly with his previous colleagues."[68]

Also when they are supposed to work ina multi-shift or different system than before, the workers to be released show a negative reaction. The main reason they give is that the shift system will affect their family life.[69] As in the GDR by 1985 the average daily operating period for the most important production equipment is supposed to be raised to 16 or 17 hours (at present it is 15.6 hours), more workers still will have to go into shift operation in the future, to be sure. In 1980 alone, circa 37,500 workers were released for shift operations.[70] The problems that come from working on shifts and are of special importance to the workers and their families include child care, improved commuting and shopping conditions, communal services and cultural well-being.[71] These tought problems are mainly to be coped with, they are saying laconically, by having the combines and enterprises work more closely together than previously with the local state organs.[72]

In the meantime, enterprises have set up various scientific working teams and so-called workers advisory bureaus or discussion commissions. These working teams are also supposed to deal with the social problems incurred by re-allocation and come up with general solution proposals. The workers advisory bureaus or dicsussion commissions are composed of representatives of enterprise trade union management, the production sectors, the labor and wages department and the cadre department of both enterprises, the one from which the workers are released and the one the workers join. There the working people can inform themselves about their new jobs, retraining opportunities, their wages, commuting and so forth. Along with consultation for the people concerned, the requisite medical examinations are organized there as well as inspections of the new places of work, and contract amendments and transfer contracts are drawn up there as needed.[73] Through a "socioeconomic program for re-allocating released manpower," prepared jointly by the enterprise and trade union management, the legal principles are set down for the transfers, the pay and pensions, for special material recognition, training opportunities and so forth.[74]

Summary

By way of summary it may be asserted that manpower re-allocation may lead to frictional unemployment--which is unemployment caused by the re-allocation measures and confined in time and space and to a specific circle of persons. It depends on a strict rejection of a contract amendment or transfer contract by the persons concerned, because only then may an enterprise dismiss personnel. The right to work is not affected by the manpower release. The widespread fear of unemployment in the FRG is unknown in the GDR even though the other German state is rationalizing too--even in a grand style since the late 1970's. This may be behind the very fine differentiation expressed by Stoph at the 10th SED Congress in 1981, when he said: "No working person in our republic has to worry about a job (Author: not 'his job')."[75] The point is that GDR workers and employees by now have to worry about their original jobs; many of them are being reassigned or are going to be reassigned to different installations in their own or in a different enterprise. Because "even in socialism rationalization is not bound to lead, automatically, to desirable, socially beneficial solutions,"[76] a release causes the persons concerned more or less serious personal problems. The GDR's political leadership will have to come to grips with how they are best avoided or settled. Marxist-Leninist sociology has already been assigned the mission "to distill from the new objective givens adequate individual wishes and aspirations in good time and turn them into effective conduct in terms of social requirements."[77] Appropriate specific solutions are, however, still missing. At this point it cannot be said whether they will at all affect the strategy of "proven" political-ideological indoctrination the SED leadership has chosen for the time being. The party would be well advised, to be sure, in going along with the recommendations from the sociologists and involving those hit by release and re-allocation measures in the impending decision processes early in the game. As the past has demonstrated time and time again, political-ideological indoctrination in the GDR has by and large failed to lead to the desired success.

FOOTNOTES

1. Ekkehard Sachse/Edwin Stiehler, "The Planning of the Social Labor Capacity," WIRTSCHAFTSWISSENSCHAFT, Vol 24 (1976), No 2, p 246; cf. also Diethard Schulz/Brigitte Preusche, "Perfecting the Balancing of the Social Labor Capacity--An Important Contribution to Raising Economic Efficiency," WISSENSCHAFTLICHE ZEITSCHRIFT DER HOCHSCHULE FUER OEKONOMIE BERLIN, Vol 17 (1972), No 2, p 119.

2. "Exhausting the GDR's Labor Potential" (tape recording of Radio DDR I, 16 January 1982), RIAS MONITOR, 17 January 1982, pp 20-21; "Answers to the Questions about the Labor Capacity," PRESSE-INFORMATIONEN DES MINISTERRATS DER DDR, 4 August 1981, p 2; Diethard Schulz/Erich Strohbach, "The Population Trend and the Social Labor Capacity in the GDR up to the Year 2000," WIRTSCHAFTSWISSENSCHAFT, Vol 29 (1981), No 11, p 1351, table; cf. also "Statistisches Jahrbuch der Deutschen Demokratischen Republik 1983," East Berlin, 1983, p 344.

3. Schulz/Strohbach, op. cit [footnote 2], p 1352; cf. also Hanna Grabley, "Theoretical Principles for the Development of the Social Working Time Fund in Socialism," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 27 (1983), No 6, p 427.

4. Reinhard Schaefer/Juergen Wahse, "On the Qualitative Development of the Social Labor Capacity and Its Use," WIRTSCHAFTSWISSENSCHAFT, Vol 20 (1981), No 4, pp 432-433.

5. Wolfgang Beyreuther, "Scientific-Technical Progress and the Developmental Tendencies of Labor in the Developed Socialist Society," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 28 (1984), No 1, p 6.

6. Klaus Frank, "Experiences and Problems in Releasing Manpower in a Metallurgical Combine," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 3, pp 10-11.

7. NEUES DEUTSCHLAND, 3/4 March 1984, p 2; there are as many as 252 labor offices in the GDR. They come under the State Secretariat for Labor and Wages. The number of persons consulting those offices has approximately doubled since 1978. Cf. BERLINER ZEITUNG, 27 August 1981, p 3, and 29 February 1984, p 3.

8. NEUES DEUTSCHLAND, 6 November 1979, p 3; cf. also Schaefer/Wahse, op. cit. [footnote 4], p 431.

9. That becomes most apparent from the ratio between jobs newly created by investments (30,000) and jobs cut back (7,700) between 1976 and 1978. Cf. "Answers to the Questions . . .," op. cit. [footnote 2], p 4; J. Beyer/W. Packebusch, "Reflections on Job Reduction," DIE WIRTSCHAFT, Vol 35 (1980), No 2, p 15.

10. Unemployment confined in time and space and to a specific circle of persons.

11. Schaefer/Wahse, op. cit. [footnote 4], p 432.

12. Joachim Kund, "Handles for a More Rational Use of the Labor Capacity," ARBEIT UND ARBEITSRECHT, Vol 35 (1980), No 6, pp 245-246; cf. also "Answers to the Questions . . .," op. cit. [footnote 2], p 5.

13. Heinrich Reitinger, "Pursuant to the 10th SED Congress Also Means Rationally Using Our Labor Capacity," ARBEIT UND ARBEITSRECHT, Vol 35 (1980), No 18, p 442.

14. Siegfried Kipp/Georg Wiedemann, "Schwedt Initiative: 'Fewer Produce More,'" DIE WIRTSCHAFT, Vol 34 (1979), No 9, p 5; cf. also Hanna Grabley/Dieter Schneeweiss, "Key Points in the Rational Use of the Social Labor Capacity in the GDR," WIRTSCHAFTSWISSENSCHAFT, Vol 29 (1981), No 12, p 1486.

15. "Answers to the Questions . . .," op. cit. [footnote 2], p 5; cf. also Kipp/Wiedemann, op. cit. [footnote 14], p 5; Michael Braeuer, "Schwedt Initiative: Fewer Produce More," JUNGE GENERATION, No 10, 1983, pp 38-39.

16. Werner Frohn/Lothar Hummel, "Gaining Manpower for New Tasks Through Socialist Rationalization," WIRTSCHAFTSWISSENSCHAFT, Vol 29 (1981), No 8, p 899; cf. also "Answers to the Questions . . .," op. cit. [footnote 2], p 5; cf. also "Question from the FRG, 'Whether We Employ Manpower With Too Little Efficiency'" (tape recording of Voice of the GDR, 4 February 1984), RIAS MONITOR, 3-5 February 1984, p 7.

17. Karl-Heinz Arnold, "No Personnel--Is That Now Passe?" BERLINER ZEITUNG, 29 February 1984, p 3; cf. also NEUES DEUTSCHLAND, 3 April 1984, p 2.

18. Heiner Merz, "On Manpower Re-allocation Planning (1)," ORGANISATION, Vol 15 (1981), No 3, p 16; cf. also "Order on Supplementing the GDR's Economic Planning System," GBL Part I No 14, 1981, pp 150 f, 178 ff and 182 ff; Grabley/Schneeweiss, op. cit [footnote 14], p 1483.

19. "Definitionen fuer Planung, Rechnungsfuehrung und Statistik" [Definitions on Planning, Cost Accounting and Statistics] Part V, East Berlin, 1980, p 67: As enterprises in terms of this definition "are regarded enterprises and subsidiary enterprises with ten employees or more that have balancing decisions to make. Jobs kept vacant or a manpower saving computed from time savings cannot be shown as manpower release."

20. Grabley/Schneeweiss, op. cit. [footnote 14], p 1483.

21. Cf. Merz, op. cit. [footnote 18], pp 16-18.

22. Ibid., p 16.

23. "Decree on Social Fund Contributions," GBL Part I No 35, 4 May 1983, Articles 1 to 6.

24. Including the social fund contributions in setting industrial prices, in conformity with the official central calculation guideline for industrial prices, as of 17 November 1983, is subject to "the separately issued provisions or the special calculation guidelines on the basis of those provisions as set down by the head of the Price Office." The special

calculation guidelines have to include provisions "by which the specific questions of setting industrial prices in any given industrial branch or production groups can be resolved." Cf. "Order on the Central Official Calculation Guideline for Setting Industrial Prices," as of 17 November 1983, GBL Part I No 35, 19 December 1983, Article 8.

25. Cf. Diethard Schulz, "Model Reflections on Stimulating the Rational Use of Manpower," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 23 (1979), No 6, pp 476-480; Rainer Gebauer/Hanna Grabley/Ekkehard Sachse, "The Reproduction of the Labor Capacity--Basic Questions for the Further Shaping of the Developed Socialist Society," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 24 (1980), No 6, p 416.

26. The performance fund serves, among other things, the enterprise funding of its own means of production (own production of means of rationalization).

27. Guenther Witteck, "The Local State Organs' Growing Responsibility for High Labor Capacity Effectiveness," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 28 (1984), No 1, p 22.

28. Horst Klar/Wolfgang Mueller, "Higher Effectiveness of the Social Labor Capacity--A Prerequisite for Further Economic Performance Improvement," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 27 (1983), No 6, p 422.

29. "Definitionen fuer Planung . . .," op. cit. [footnote 19], p 67.

30. Cf. Irene Boehme, "Die da drueben. Sieben Kapitel DDR" [Those Over There--The GDR in Seven Chapters], Berlin, 1982, p 24: "The GDR citizen takes his job as his second home. He regards it as his legitimate possession. All material advantages--which he certainly watches out for--lose their value if he does not feel comfortable." Cf. also Katharina Belwe, "Die Fluktuation der Werktaetigen als Ausdruck sozialer Konflikte in der DDR" [Working People Fluctuation as Expression of Social Conflicts in the GDR], Bonn, 1982, pp 47 ff, 62 f, 73 f, 97 f, and 111.

31. Cf. Peter Glotz/Klaus Frank, "Planned Manpower Shifts and the Efficient Use of the Labor Capacity," NEUE BERGBAUTECHNIK, Vol 13 (1983), No 12, pp 567-569, and especially p 56: According to Glotz and Frank, now, under the conditions of the planned manpower re-allocation, the prevailing orientation in recent years "to reducing the fluctuation no longer meets the current requirements and has to be overcome." Cf. also Eckart Bethke, "GDR: Academicians and Specialists Are Looking for Jobs" (Broadcast Manuscript), WDR-ECHO DES TAGES, 19 March 1984.

32. "GDR Labor Code, 16 June 1977," GBL Part I No 18, 22 June 1977, Article 49, Paragraphs 1 and 2; Article 53, Paragraphs 1 and 2; cf. also Hans Neumann, "The Function of the Amended Contract," ARBEIT UND ARBEITSRECHT, Vol 38 (1983), No 5, p 213.

33. "GDR Labor Code," op. cit., [footnote 32], Article 60, Paragraph 2; Neumann, op. cit. [footnote 32]. In dismissals with notice and without, there are only 2 weeks for launching an appeal.

34. "GDR Labor Code," op. cit. [footnote 32], Article 54, Paragraph 2.

35. Ibid., Paragraphs 1 and 2.

36. Neumann, op. cit. [footnote 32], p 216.

37. "Answers to the Questions . . .," op. cit. [footnote 2], pp 4-5: "Rationalization measures are regarded as concluded only when the worker is reassigned."

37a. That in specific cases summary dismissals also are used, is suggested by a report on the labor offices at the East Berlin city-district councils. Cf. BERLINER ZEITUNG, 27 August 1981, p 3; cf. also "GDR Labor Code," op. cit. [footnote 32], Article 56, Paragraph 1; Article 60, Paragraph 2.

38. Neumann, op. cit. [footnote 32], p 214.

39. Hans-Joachim Wolf, "Through Individual Contracts Toward Stable Labor Law Relations," ARBEIT UND ARBEITSRECHT, Vol 39 (1984), No 1, p 18; cf. also Neumann, op. cit. [footnote 32], p 214.

40. Wolf, op. cit [footnote 39], p 18; Neumann, op. cit. [footnote 32], p 216.

41. Neumann, op. cit. [footnote 32] p 216.

42. Wolf, op. cit. [footnote 39], p 19.

43. Rudhard Stollberg, "Report on a Colloquy on Social Problems in Introducing New Technologies," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 2, p 13.

44. Ibid., pp 3-31; cf. also "The Working Circle 'Sociology in the Enterprise'--Tasks and Work Results," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 3, pp 3-27; Gerhard Schellenberger, "Analysis of the Social Components in Scientific-Technical Progress--Theses for Technical Section 3 (1)," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 4, pp 6-10; "Analysis of the Social Components in Scientific-Technical Progress--Introductory Paper," Ibid., pp 10-14; additional discussion contributions pp 14-30.

45. Klar/Mueller, op. cit. [footnote 28], p 421.

46. Gerhard Schellenberger, "Remarks on the Sociological Exploration and Organization of Release and Re-allocation Processes," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 3, p 6; cf. also Grabley, op. cit. [footnote 3] p 472.

47. Schellenberger, op. cit. [footnote 46] p 7.

47. Schellenberger, op. cit. [footnote 46], p 7.

48. At the present the sociologists are still referring to what would be urgently necessary, such as an analysis of the not immediately intelligible effects of such complex rationalization measures as the "Schwedt Initiative": "For such and similar cases the scholars, along with basic statements on social structures, tendencies and interconnections, should also have to make available an appropriate set of tools." Cf. Klaus Ladensack, "Analysis and Account of Social Components of Scientific-Technical Progress as a Management Task," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 39 (1983), No 4, p 18; cf. also Schellenberger, op. cit. [footnote 44], pp 7 and 11.

49. Stollberg, op. cit. [footnote 43], p 13.

50. Cf., inter alia, Drodowsky, "Gaining Manpower on the Schwedt Model," DIE WIRTSCHAFT, Vol 35 (1980), No 12, p 11.

51. Renate Johne, "Remarks on the Necessary Subjective Prerequisites for Manpower Re-allocation," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 4, p 30; cf. also Gerd Haendel, "A Cadre Insurance Conception and Its Concern," ARBEIT UND ARBEITSRECHT, Vol 38 (1983), No 6, p 243.

52. Johne, op. cit. [footnote 51], pp 30-31.

53. Glotz/Frank, op. cit. [footnote 31], p 658.

54. Ibid; cf. also Beyreuther, op. cit. [footnote 5], p 6. According to Beyreuther, the "social problems that may come from a change of jobs are controllable." By way of an early and close cooperation between those that are affected by rationalization measures and enterprise and trade union management, one could achieve "a high measure of conformity of the social with the personal interests of the various working people."

55. "Rationalization--Personal Implications" (DDR TV I, "Prisma," 4 March 1982), RIAS MONITOR, 4 March 1982, pp 11-15.

56. "The Aborted High-Altitude Flight," NEUE BERLINER ILLUSTRIERTE, Vol 4 (1984), No 2, p 8.

57. Stollberg, op. cit. [footnote 43], p 13.

58. Werner Dippmann, "Effects of the Scientific-Technical Progress in Socialism--Expectations by Industrial Workers," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 4, pp 48-49, table p 49.

59. Ibid.

60. Ibid., p 50.

61. Ibid., pp 49-50, including the tables.

62. Stollberg, op. cit. [footnote 43], p 13.

63. Ibid., pp 5-6.

64. Ibid., pp 13 and 19; cf. also Astrid Naumann/Rudolf Weiskopf, "Scientific-Technical Progress and the Socialist Way of Life," "Jahrbuch fuer Soziologie und Sozialpolitik," 1983, East Berlin, pp 56-57; Heinz Wedler, "The Production and Use of Microelectronics and Its Effect on the Working People's Qualification Level," SOZIALISTISCHE ARBEITSWISSENSCHAFT, Vol 28 (1984), No 1, pp 11-19.

65. "The Aborted High-Altitude Flight," loc. cit. [footnote 56], p 8.

66. Stollberg, op. cit. [footnote 43], p 5.

67. "Their Toughest Year," FUER DICH, No 1, 1984, p 8; cf. also Peter Glotz, "Social Problems in Manpower Release and Re-allocation and Their Management Requirements," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 3, p 9.

68. Glotz, op. cit. [footnote 67], p 9.

69. Ibid., p 6; cf. also Haendel, op. cit., [footnote 51], p 243.

70. "Answers to the Questions . . .," op. cit. [footnote 2], p 4.

71. Ibid., p 8.

72. Haendel, op. cit. [footnote 51], p 243.

73. Kipp/Wiedemann, op. cit. [footnote 14], p 5; Jentsch, "A Manpower Re-allocation Program," DIE WIRTSCHAFT, Vol 34 (1979), No 9, p 7; cf. also Glotz/Frank, op. cit. [footnote 31], p 659.

74. Jentsch, op. cit. [footnote 73], p 7.

75. "Answers to the Questions . . .," loc. cit. [footnote 2], p 4.

76. Neumann, op. cit. [footnote 32], p 213.

77. Guenther Bohring, "On the Role of Socialist Ideology in Clarifying the Scientific-Technical Progress Requirements," INFORMATIONEN ZUR SOZIOLOGISCHEN FORSCHUNG IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Vol 19 (1983), No 4, p 16.

5885
CSO: 2300/539

SALINIFEROUS COAL USED IN MAJOR POWER PLANT

Halle FREIHEIT in German 6 Jun 84 p 3

[Interview by R. Salzmann: "Use of Saliniferous Coal Enriches Energy Base of the GDR"]

[Text] More than 60 statements have reached us so far from the Vockerode Power Plant. In the contribution to "Page 35" [GDR anniversary-year competition] made by the collective of the Laurel Championship Section, it is said: "We are exerting all our strength to see to it that the country's industry and population can always be supplied with energy and heat, above all on the basis of domestic raw materials." The expression "domestic raw materials" was underlined. Upon inquiring why that was done, the reply was: Many measures are aimed at the most efficient utilization of raw brown coal. These have included recently the use of saliniferous brown coal in large power plants. This was an emphatically expressed objective in the resolution passed by the SED district delegates' conference, especially since this project is important for the 1985 plan.

We spoke with Wolfgang Zoellner--department head of plant engineering at the "Elbe" Power Plant VEB, who is also a member of the Halle district directorate of the Chamber of Technology--about important findings, experiences gained, and results achieved.

Question: It is frequently said that saliniferous coal is low-grade. Is this opinion correct?

Answer: That is not right! Whereas normal raw brown coal has an average specific calorific value of 8,800 kilojoules, saliniferous coal contains 10,000 kilojoules. So you see that saliniferous coal is even more valuable from the viewpoint of calorific value. Thus it is completely in line with the requirement of our economic strategy on more extensively utilizing domestic raw materials for the generation of energy, since this means using also saliniferous coal, which is found in large amounts in the Halle district.

Question: Is it true that in terms of the generation of energy the use of saliniferous coal is more difficult and consequently more expensive?

Answer: As its name tells us, saliniferous coal contains more salt than normal brown coal. This is accounted for in the form of sodium oxide. If the coal contains more than 0.5 percent sodium oxide, then we speak of saliniferous coal. The salt content of the coal has a detrimental effect on the equipment in use to date. The heating surfaces become scorified, and thereby the efficiency of the boiler decreases. Thus, extensive scientific-technical work has been and continues to be necessary in order to make available and utilize this valuable raw material rationally and effectively. This will not necessarily be more expensive, provided that corresponding technological solutions are found and employed. We are optimistic.

Question: Why of all the collectives was the one at the Vockerode power plant directed to begin to use saliniferous coal on a large scale?

Answer: Saliniferous coal is already being used in smaller boiler plants and in the industrial power plants of Buna. We are taking advantage of experiences gained in these places. This is happening in connection with a comprehensive socialist teamwork. The miners from the Geiseltal Brown Coal Plant are being included in this teamwork just as much as are scientists from the institutes.

At Vockerode we are operating boilers with an output of 160 tons of steam per hour. The transferring of experience already gained is closely linked with extensive scientific-creative work.

We are being assigned this task for several reasons. Firstly, our collective within a power plant rich in traditions has available to it extensive experiences in connection with refitting in production. Secondly, we are not too far away from the deposit at Geiseltal, which is advantageous to transporting. And thirdly and lastly we are already making use of the limestone additive process for flue-gas desulfurization.

Question: How is the party organization assisting this work--because surely the use of saliniferous coal is one of the important tasks set within the competition program?

Answer: Even prior to and during the party elections, a decision which had been made by the party leadership led to the gathering of information by a working group made up of the Brown Coal Power Plants Combine and the Geiseltal BKW [Brown Coal Enterprise] about the nature and quality of saliniferous coal. The party leadership was presented with corresponding viewpoints and conclusions. This happened in unison with the presentation of the need for this new step, because not everyone in the enterprise was equally ready to admit that saliniferous coal is a high-grade raw material.

Question: What arguments kindled this initiative?

Answer: One argument was that after all there was still enough coal of the other type, so the hasty introduction of saliniferous coal was by no means very pressing. Now many workers and researchers, engineers and technologists have countered with sure-fire arguments from experiences in their

own work. Firstly, it contradicts all economic good sense to not utilize raw materials which are already at hand, which have been opened up, and which are thus at our disposal. Secondly, every ton of saliniferous coal used contributes to enlarging or conserving the coal reserve which is available for further refinement. Thirdly and lastly, it is always challenging to enter upon scientific-technical new ground for its own sake and for the advantage of society. At the same time, with this debate we paved the way for deeper examinations into the nature of our economic strategy.

Question: What concrete conclusions has the party leadership deduced from this as to further work with the use of saliniferous coal?

Answer: First of all we came to an agreement with the workers and researchers on specific deadlines. In January the experiments on one boiler began. We sought that mixture ratio of normal to saliniferous raw brown coal which best corresponds to the concrete conditions. That was reckoned up for the first time in mid-March. The test report is on hand. In this the statement is made that at a certain mixture ratio the use of saliniferous coal is possible, and in fact possible together with a good economic efficiency.

Question: With that, an important contribution to "Page 35" was realized. How have things progressed, and how are they now going forward?

Answer: The tests are going forward on two other steam generators which are being operated continuously. Experiences gained so far are available to everybody.

Some time ago the opinion was that one needed especially developed boilers for this purpose. Work was done and and is being done even to this day on this. But now the proof is there for all to see: An important measure of socialist strengthening is being carried out with a great economic effect. That has happened and is happening as a project of the Chamber of Technology, realized in a teamwork effort with the operational sections of the Geiseltal BKW and the Vockerode Power Plant.

12114
CSO: 2300/532

SUBTERRANEAN BOLT BLOCKS FLOW OF WATER, SAVES ENERGY

Dresden SAECHSISCHE ZEITUNG in German 6 Jun 84 p 7

[Text] The first 800 meters of an underground sealing wall which in coming years will grow to 6 kilometers in length have now been laid out east of the Jaenschwalde large strip mine. Projecting down to 84 meters deep into the soil, this bolt blocks the inflow of groundwater into this extraction site of the Cottbus Brown Coal Works from the direction of the Neisse. At the same time it protects neighboring agricultural and forest areas from a lowering of the water level and thus from drought. Nowhere in the world has a sealing wall of such a nature been built hitherto. Meanwhile the method and the hardware solution are protected by a number of patents at home and abroad. Thus the Welzow Brown Coal Drilling and Shaft Construction VEB has achieved its most noteworthy scientific-technical feat in the 25 years since the existence of this specialized enterprise, which today belongs to the Senftenberg Brown Coal Combine.

Specialists with many years of experience in the area of strip-mine drainage developed the technology and the channeling equipment necessary for this in close teamwork with the Freiberg School of Mines and other partners. Aside from mining, this method can also be used in water management or with the construction of subways and other projects. Its potential is almost unlimited wherever considerable amounts of water can be trapped in layers of sandy gravel and clay. In contrast to previously familiar smaller sealing walls made of cement and other construction materials, here the soil-water mixture obtained on the site with an auger cutter serves in turn as a filling material for the previously cut fissure in the earth. This cut is 92 centimeters wide, and it can be up to 100 meters deep depending on the relief of the terrain. The different types of soil which are unearthed get mixed together in the flushing process. In the course of this, clays and similar soils behave like cementing material. The mixture settles as a crust on the side surfaces of the reamed-out channel, which causes the sealing effect. The channeling equipment, which resembles the platform of a floating drill rig and which is 450 tons in weight and 25 meters high, is equipped with several hoisting mechanisms, a building crane, and an air-conditioned driver's cab.

In its test the previous year, the equipment with the designation "SG 100" achieved double the output of its prototype and predecessor "SG 73," which was developed and used for a sealing wall in Jaenschwalde.

According to previous calculations, this subterranean curtain technique stops 70 to 80 percent of continuous water inflow into a strip mine. In this way, in the future we can dispense with a large part of the otherwise customary drainage wells and economize on the enormous amounts of electric power needed for operating the pumps. Conservative estimates calculate a gain of 90 million marks for a strip mine such as that of Jaenschwalde--from which with an anticipated annual output of 19.3 million tons of brown coal in 1984 almost five times that amount of water must be carried off. This comes to 180 cubic meters per minute. Meanwhile, as an application of this method another version of this equipment is in use at the perimeter of the Berzdorf strip mine in Upper Lusatia, with this version being appropriate to the geological and hydrological conditions found there.

12114
CSO: 2300/532

FEKETE INTERVIEWED ON MONETARY AFFAIRS

Budapest JEL KEP in Hungarian No 1, 1984 pp 78-87

[Abridged and modified transcript of an interview with Janos Fekete, first deputy chairman of the Hungarian National Bank, by Gyorgy Balo, broadcast over Hungarian Television I, on 20 June 1983]

> [Excerpts] At 21:10 on 20 June 1983 over Hungarian Television I, editor-reporter Gyorgy Balo interviewed Janos Fekete, the first deputy president of the Hungarian National Bank, on "Face to Face," the interview series of Hungarian Television's Foreign Policy Department (produced by Sandor Kigyos). Below we present the abridged transcript of this interview, adapted to appear in print.

[Question] How do you feel about money? What do you feel when you think of money?

[Answer] This is a difficult question. In my case, money has two entirely separate functions. One is the family budget, and I am indeed very sensitive to it: a hundred plus a thousand plus ten thousand forints is a lot of money. The other function is here where I am working with billions. This money I regard as working material. When I first joined the National Bank, I was credit manager. Not the top manager, but a middle manager. And they came to me from the factory in Csepel, wanting to borrow 10 million forints. This frightened me terribly. In Szarvas, where I began my career, 10,000 forints was the largest amount with which I had worked. I ran to my chief, poor Bela Sulyok, who died since then. He was an outstanding manager. He told me to consider how many workers there were in Csepel and what they earned, and then it would turn out that 10 million forints was not so much after all.

[Question] What determines in which currencies our foreign reserves are kept at any given time?

[Answer] This depends on economic--let us call them that--assessments and is very essential. A person could not do this alone. It requires a large collective because thousands of different things in the world must be taken into consideration in an economic analysis of what is to be expected. And because this could truly mean a profit or loss for the national economy. We are striving to avoid a loss for the economy. Therefore we want to maintain our reserves in

currencies that are strong in the long run, which means currencies whose exchange rates will rise or at least will remain stable. And if we do have to borrow and go into debt from time to time, it is best to borrow in currencies that will not appreciate in the long run.

[Question] Or perhaps to convert our debts into such currencies?

[Answer] Yes, occasionally we have to convert to other currencies quickly because a single event might change a country's monetary policy, and in that moment the given currency's position also changes. For example, a cabinet crisis or a change of government might completely alter a given currency's prospects.

[Question] They say that you sometimes know in advance what will happen on the international markets.

[Answer] This of course is again an exaggeration that I am gratified to hear but, unfortunately, it is not true. As a rule, we do indeed prepare a forecast and then debate it. I must say that we do have an excellent team at our disposal. And it is likewise true that it is the chiefs who must after all have the final say. We have been lucky so far because we want to predict what will happen in the long run, in six months or a year from now, and not in the next three weeks. This way we have time to make preparations so that, if what we predicted does occur, it will affect the economy favorably and not adversely. And there have actually been examples of this already.

[Question] The world is being flooded with various informative reports and forecasts by banks, governments, economic institutes and international organizations. In other words, we are living in a flood of many kinds of information. How can we avoid making mistakes?

[Answer] Regrettably, only with very much work, by studying constantly and accurately a vast amount of statistics, an enormous volume of data. This is the only way, but it also requires a bit of political feel, a bit of luck, and a bit of daring as well. In recent years we have been able to avoid reckless gambling. I was once asked why had we done something this way and not that way, and why had we protected ourselves against an expected devaluation of the dollar. They said that our measures to protect ourselves was speculation. If you are in a small boat on the stormy sea and put on your life jacket, why should that make you a speculator? The whole world is now a stormy sea. It is not speculation if we try to secure ourselves somehow on this stormy sea. When we bought gold because we thought it was safer after all, everybody said that it was unprofitable to buy gold because we would be getting no interest. Since then the price of gold has risen from 35 to 450 dollars an ounce, and the price difference has compensated us for a bit of interest nonetheless. But I repeat: this is very detailed economic work. On its basis, I believe and am firmly convinced, we are able to predict what will come, with a very small margin of error.

[Question] Let us assume that Hungary wants to obtain a loan. How is it possible to decide whether the loan should be at a fixed or variable rate of interest?

[Answer] If we obtain a loan at a fixed interest rate, we know that every year over a period of 10 years we will have to pay, say, 10 percent interest. If we obtain the same loan at a floating interest rate, today we might be paying only 7 percent interest, but the day after tomorrow we might have to pay 15 or 16 percent. In the long run, then, a fixed interest rate obviously involves less risk. But if someone borrows at a fixed rate of interest when interest rates are high, it also means that the borrower has waived for a long time to come the advantages of a possible decline in interest rates in the world market. Thus a variable interest rate involves greater risk, but it also offers the possibility that the borrower might be able to repay the loan at lower interest rates. When the level of interest is very high, as it has been during the past few years, I would be opposed to borrowing at a fixed interest rate in, say, dollars. Because this would mean interest rates of 10 to 13 percent or even more, and I am convinced that in the long run the world is unable to tolerate such high interest rates. But when the interest rate on loans in West German marks was 6 percent, for example, we tried to obtain specifically fixed-interest loans. We figured that if we paid 6 percent interest annually over a peeriod of 10 years and invested the obtained loan in Hungary, the return on this investment would be 10 to 12 percent a year, which would cover the 6 percent interest.

[Question] I read somewhere than in 1956, at the time when Budapest was under fire, you opened an office in Vienna from where you were servicing Hungary's debts in a disciplined manner. Is this true?

[Answer] This again is a story that contains some truth, but it is not entirely correct. First of all, it was not necessary to open an office. We have a bank of our own in Vienna, with telecommunications and other equipment to maintain contact with the world. From time to time we were able to communicate also with Budapest, although we were unable to maintain constant contact. At one time the counterrevolution made it difficult to transfer funds from Budapest, and then we did indeed issue instructions from Vienna. We always received from Budapest for several days in advance the schedule of payments due, and during those days we took special care to meet all our obligations exactly when they were due. I think this helped our cause because this way international finances did not particularly hamper the process of consolidation.

[Question] Nonetheless, a Western banker might have been surprised to hear on the radio that there was fighting in Budapest, and at the same time to read reports that the Hungarian National Bank was meeting its obligations as they became due.

[Answer] From Vienna it was possible to telephone the various Western banks and to advise them that the money was on its way. And they did receive the transfers. At that time the volume of foreign debt was not yet so large, but these transfers unquestionably had a very favorable effect in terms of reassuring the lenders. Later they mentioned very frequently that Hungary in this respect had set a good example as a debtor nation that had met its obligations in a disciplined manner and on schedule even under very adverse circumstances. Hungary settled all its prewar debts from before 1945, and even what we owed in 1918 and 1919, and thus we started with a clean slate. No country can say that we have ever defaulted on our obligation to it. If a country

meets its obligations in this manner over a period of several decades, it will be regarded as a good credit risk and an honest partner, one with whom it is worth maintaining business relations. Nevertheless I would rank political stability as the most important requirement in every case. For we have recently seen a few examples of countries that generally were considered to be good creditors [sic] but immediately found themselves in deep economic trouble when their political stability collapsed.

[Question] Hungary introduced its economic reform in 1968 and, I believe, that was the time when the Hungarian National Bank's role truly increased. It is now 15 years since the reform's introduction. How do you look back on these 15 years?

[Answer] Very arbitrarily, I would divide these 15 years into three stages, and I would call the first stage the golden age. An economy has four very important indicators which show whether it is healthy. The first of these four magic indicators shows whether production is increasing. In our country, production rose very nicely during those 5 years. The second indicator shows whether the balance of foreign trade and the balance of payments close with a surplus or deficit. At that time we had no balance-of-payments problems. The third indicator shows whether there is unemployment. We did not have any unemployment at that time. And according to the fourth indicator, we were also able to maintain stable prices. In other words, those five years from 1968 through 1973 were a very productive period in Hungary's economic history.

What made us suddenly so good during that period? First, there was a fortunate economic boom abroad, which helped us to sell our commodities. The other positive factor was the liberation by the reform of forces on which we relied and hoped that they existed, but about which we could not be certain. We believed in their existence but did not know in advance that they would really make themselves felt so quickly, and that the independent activity of the people and the developing competition would produce such results. 1968-1973 proved that we were on the rigth path because these reserves were freed.

[Question] Were there also monetary reserves?

[Answer] No, there were no monetary reserves or only meager ones. Specifically for this reason, it was a brave decision to begin the reform. Let me cite an example. When the enterprises finally believed us that they would get foreign exchange to import if they had the forints for it, a change occurred in the management of imports and the enterprises began to import only as much as they really needed. And they had enough money to pay for what they needed. But they did not have money to finance surplus inventories. It is always dangerous when the enterprises feel uncertain about the future and begin to overstock, thereby upsetting the equilibrium. And this is the most harmful for them because we are then forced to resort to all kinds of interference, making life for the enterprises more difficult. Thus this golden age, those five or six years, was so beautiful because the external conditions were favorable and at home so much positive energy was liberated. Then came the second period, which I would call the period of illusions: we believed that we were able to sell so well because our goods were so wonderful, their quality so good and our shipments so on time, and that everything was going so well because the boom

would last forever or at least for a long time. But when the oil price shock came, the prices of raw materials rose very sharply, and a recession began in the West. And then it turned out that our goods were not so perfect after all, that our record of shipping on schedule was not regarded so exemplary, etc. When these difficulties appeared in the economy, we did not react the way we should have. In other words, we did not apply the brakes a bit, slow the living standard's rise, weigh investments more carefully, etc.

[Question] There were some people who predicted that these difficulties would not even occur.

[Answer] Yes, the other idea was that there was trouble in the West, but as there were two world markets--for there were people who believed in the theory of two world markets--the problems of the West were of no concern to us. Regrettably, recent years have proved that there are no two world markets. Admittedly, there are two world systems. But this does not alter the fact that the world market is unified. The oil price shock's drawbacks that affected every raw-material-importing country affected us as well. It is true that these higher prices did not hit our country all at once but only gradually, over a period of five years, thanks to our relations with the Soviet Union. However, the higher prices had to be paid, and these losses appeared also in our terms of trade. During those few years when the economy was incurring losses because we had to export more for the same physical volume of import, we proceeded as if nothing had happened, instead of cutting back our expenditures and living more modestly. This is why I call those years the period of illusions, and it led to our substantial foreign debt.

The next or third period I call the period of reality. In it we reverted to attempting to restore equilibrium, in our international relations and in our domestic monetary system as well. This, unfortunately, is not something very popular.

[Question] When did this period begin?

[Answer] In my opinion, the period of reality began in October 1977. That is when the Central Committee adopted its resolution on structural change and made it clear that rapid growth in the given structure was undesirable for us because our economic structure was exceptionally material- and energy-intensive. We must develop a structure in which there is more intellectual and physical labor and less material, because we generally have a paucity of materials. The other part of this matter was the December 1978 resolution. It finally declared that restoration of equilibrium and maintenance of the living standard had to rank first among our priorities. This is a very big task because these years very many countries in the world have been forced to abandon the principle that the standard of living must be raised year after year. And so far as equilibrium is concerned, very few countries have succeeded in bringing into equilibrium their balance of payments on current account.

[Question] There is very much debate on how to proceed further. In your opinion, are we over the hump?

[Answer] Since 1978, there has been a slight improvement each year in our balance of trade and in our domestic equilibrium as well. I am convinced that by

the end of 1983 we will be over the most difficult stage, if we fulfill the plans for this year. Thus 1983 is the critical year: we must prove to the world that our country is able to halt the process of indebtedness and to start repaying its debts. According to the plans, this objective is a realistic one for this year, and this is why we now must work very hard.

[Question] There is now an ongoing debate on how the reform should proceed. What is your opinion about this?

[Answer] I believe that we started out in the right direction in 1968. But we must realize that the world did not change completely on 1 January 1968. The reform was introduced, but many conflicting measures were retained from the preceding command-directed period since we were unable to dismantle them all at once. We had to employ very many restrictions because caution demanded that we should not be too bold when starting out in new directions. A few years later, unfortunately, these restrictions and negative effects became more and more perceptible. In other words, we have not carried through the 1968 reform; we have only begun it, making progress in many respects. In my opinion, we must now continue with the original idea, even though it might now seem that occasionally, through operational interventions, we must do also things that are in conflict with the spirit of the economic reform. But this must not be regarded as the final form of our system of macroeconomic management. The operational interventions are a necessity forced on us by the external conditions and certain domestic reasons. Thus I most definitely favor a continuation of the 1968 concept as the road that will lead Hungary to a better and economically more stable situation, and the general indications of this within Hungary are now very favorable.

[Question] They say that you are one of the most ardent advocates of enterprise business work partnerships [EBWPs]. Why?

[Answer] Growth in Hungary has generally been quantitative up to now. More factories, more machinery, more output. We can no longer afford this. At present we are unable to expand capacity through substantial imports of machinery. But it is possible to achieve that the plants' stock of machinery, which represents a value of many billion forints, is used longer than 8 hours a day, by EBWPs whose members know the machines because they are the ones who operate them. If this same stock of machinery is used longer, it produces more national income, and I do not mind if the operators of the machines get their fair share of the additional national income.

[Question] This is quite clear. But even many factory directors fail to understand how the same skilled worker, doing the same work on the same machine, is able to earn three times more per hour as soon as his regular hours are over. I do not object to his earning three times more, but I just do not understand how he does it.

[Answer] I do not see any problem in paying more wages for this work. Since additional capital is not required--after all, the machinery is already there--this work is advantageous for the national economy, even at higher wages. These wages are performance-commensurate wages; i.e., there must be real performance behind them. In which case this does not create any stresses in the

national economy: if a product is produced, then in the final outcome the outflow of wages is not dangerous. The problem that arises is how can a worker produce, say, three times as much--although I do not regard this as entirely realistic, he unquestionably does produce more--when he is working within such a collective, as compared to when he is working for the entire plant. There is a measure of human weakness in this, and there is also the fact that the best workers are selected for such work, and perhaps it is also better organized, which also offers certain lessons. But I do not believe that in the long run the differences will be so great. From a social viewpoint I regard this as a good thing--in contrast with those who believe that it is creating stresses--because if we give the cooperative-farm member who wants to earn more the opportunity to produce on his household plot, then it is difficult to tell the industrial workers that, because of the average wage and limiting conditions, they cannot earn more than what the wage system allows, no matter how hard they work.

[Question] You have repeatedly mentioned the external conditions, in various contexts. What is your opinion of the CEMA countries' problems?

[Answer] We hear also from our friends that the CEMA countries are having problems. They tell us about their problems, and they are familiar with our problems as well. It is indisputable that mutual trade relations expanded dynamically after CEMA's formation, because relations between the individual CEMA countries had been very limited before the war, for a variety of political reasons. After a time, however, this boisterous development slowed down, and my impression is that relations have not developed suitably during the past few years. Others as well as I have long pondered on the reasons for this. I would hesitate to give a surefire recipe for doing this better, and there are others better qualified to do so than I. But one thing has been striking: how dynamically these countries developed when the socialist revolution won, i.e., when the forces and relations of production were in harmony. Few examples can be cited from the past to match the dynamic development that the socialist world produced during the past 30 to 35 years. It occurred to me that if the productive forces developed so dynamically during the past 30 years and we were able to practically solve our relations of production 30 years ago, then also our relations of production should have developed further during these 30 years. But if we examine the relations of production, we find that we have restricted them everywhere to property relations. However, the relations of production are not only property relations. Although the relations of production are property relations first and foremost, they also include market relations. And if we do not make any progress in developing our market relations, this dynamic development of the productive forces comes into conflict with the relations of production. For the person who operates a modern machine or uses a computer wants to live better and demands more pay. If there is no progress in the relations of production and we are unable to reward with higher pay and more recognition the greater value produced by work, then a contradiction arises between the productive forces--i.e., the dynamically developing man and machinery--on the one hand, and the relations of production on the other. The slowdown of development is striking, and the incentive is lacking somewhere that stimulates the productive forces--i.e., primarily man--to produce more and better. If he does not get paid more for his additional work and better quality, then why should he make the extra effort?

[Question] Many people are saying that the Hungarian National Bank is a monopoly, exercises control over the enterprises that is too strict and tied to too many conditions, and that this occasionally disrupts the enterprises' operation.

[Answer] This is certainly true, or at least this complaint is often made subjectively. Yet, I would like to clarify its theoretical aspect. Enterprise independence is, I believe, a fundamental principle of our economic reform. I am a firm believer in enterprise independence. To be independent, an enterprise must have the necessary information, because it must know the market and the prices in order to make independent decisions. This is why the National Bank is fighting for, and has successfully realized, the forint's uniform exchange rate. This is why we want realistic prices, because without them it would be entirely illusory to speak of enterprise independence. If an enterprise does not know how much commodities cost, because every price is deflected from value, if it does not know the exchange rate of the dollar value of its import and cannot say how many forints that actually comes to, then how can I expect the enterprise to make independent decisions? This is a task of the center's will. Let us make the enterprise independent and enable it to make sound independent decisions, on the basis of knowing the values, prices, price ratios and foreign-exchange rates. This is one side of the problem. The other side is that when the enterprise becomes so independent, and I hope it does as soon as possible, then the owner must examine what the enterprise does with so much independence. And the state as the owner must have an organ that is able to determine objectively whether the enterprise is operating efficiently or inefficiently, on the basis of whether it is profitable or unprofitable, and is or is not able to meet its obligations. This is why I am in favor of widest possible enterprise independence, and simultaneously of closest possible financial control. Because I believe that financial control can ensure that the activity of the enterprise will be in accord with the interests of the national economy. Or if it is not, then the financial organs are able to call attention to this danger. Under the present conditions, this is the task of the National Bank and of the banking system. This does not necessarily mean a single bank. There can be many small banks with different tasks. But control over the economy must not be lost.

[Question] When will the enterprises have a convertible forint?

[Answer] If you mean the introduction of a completely free economy in Hungary, the prospects of this are very remote, and it is not even realistic to talk of this at present. Of course, convertibility is not utopistic, but this is not the kind of convertibility that many people have in mind. We would indeed favor the forint's so-called external convertibility. This would apply to payments for traded commodities, and to the related various costs such as freight, insurance and commissions. But it would not apply to the forints held by private individuals, and it would not enable them to buy with their forints any amount of any foreign currency. For the enterprises, too, this again does not mean more freedom than at present; it only means that once our situation improves--just as there were years when it was better--then credit will again be available for everything good. In other words, we do not want such external convertibility. The next step will depend on how the world situation changes. As long as exchange rates continue to fluctuate so widely as during the past

two years, I think it would not be expedient for us to switch to convertibility and to introduce into the Hungarian economy the complete automatism of these rapid changes. But we have not abandoned our objective of introducing the forint's external convertibility, applicable to commodity trade.

[Question] A while ago we were talking about the introduction of a uniform exchange rate at the end of 1981. Six months later, Hungary joined the International Monetary Fund and the World Bank. What was the real significance of this?

[Answer] One hundred forty-six countries are members of these two organizations formed under the auspices of the United Nations. There are socialist countries that used to be members, and other socialist countries that have always been members. Their experience, about which we have heard, is that they have been able to cooperate with these organizations, especially during the past five years, without feeling any particular discrimination; the same, otherwise harsh, conditions are being set for them as for other countries. Therefore the Hungarian government decided that if there were no drawbacks, and if at the same time membership provided certain borrowing opportunities, then we too would join these two institutions. Since then, of course, there have been clashes over how much our quota should be, because the quota is the basis on which loans are provided. We bargained that the quota should be this much or that much. We finally agreed on a fair amount that, in my opinion, is acceptable, and then . . ..

[Question] Is this amount politic?

[Answer] Yes. Our quota is 375 million SDRs, the equivalent of about 400 million dollars. This is about the same as the quotas of countries similar to us in size. We became a member of the World Bank as well. There are two sides to membership in both institutions. On the one hand, we must provide certain data. Our situtation is fortunate in that our statistical office has been publishing for some time the information that the two organizations want from us. At most only the structure of the statistics had to be changed, but what we gave the two organizations was the same as what the statistical office had said earlier. I must say that the Hungarian statistical system commands very great respect in the world. Well, they accepted our statistics without any further ado. On the other hand, we are able to obtain certain loans. And Hungarian public opinion is aware that the liquidity problems of some of the socialist countries caused us exceptional trouble last year. These countries had to announce that they were unable to service their debts when payments on them became due. The mood then was that if Poland and Romania were unable to service their debts, then why should Hungary be able to service its debt? The effect of this mood on Western bankers was that it would be better for them to play it safe and withdraw their money from Hungary. At that time, for example, the international organizations were able to render us extremely positive assistance because they were familiar with our situation, had our statistics and knew that the threat of liquidity problems did not exist in our case, unless there was a run on Hungary. But there is no country or bank in the world that is able to survive a run on it, when all the depositors withdraw their money.

[Question] But there was quite a run on you nonetheless?

[Answer] There was indeed quite a run on us in the first quarter of 1982. But common sense prevailed when it became evident that our liquidity was fairly good and we were repaying all the called loans, and therefore our problems were not so serious. And then the Bank for International Settlements gave us a short-term loan, say, to reinforce our reserves. It was quite substantial, 500 million dollars, but short-term. Since then we have repaid it to the last penny. But at that time the news spread that the central banks [as majority stockolders of the Bank for International Settlements] were helping Hungary with loans, and this reassured the commercial banks that there appeared to be no trouble looming in Hungary. Since then a complete change has occurred during a single year. It turned out that not only were we not in trouble, but that all the other European socialist countries--with the exception of the two mentioned--were servicing their debts on schedule. Thus the market was reassured regarding the socialist countries.

[Question] Excuse me, but you have formulated this very modestly. The banking community has a very influential journal, INSTITUTIONAL INVESTOR. In one of its issues I read a list of the outstanding banking events in 1982. The list included a 260-million-dollar loan that the Hungarian National Bank obtained. According to the journal, you personally negotiated this loan. Could you tell us something about it?

[Answer] Yes. This is indeed something which, I believe, is worth discussing. The commercial banks calmed down a bit once we became a member of these international organizations and they saw that our figures and statistics met all international requirements, that the Bank for International Settlements gave us a loan, and that at the same time our production was proceeding undisturbed and also our harvest prospects were good. They calmed down just a bit, but not much. And then we came to the market seeking a new loan. We said that if the central banks trusted us, and if the international organizations trusted us, then why didn't the commercial banks make some gesture? And this was the gesture we realized last year in the form of a loan, with difficulty and through considerable effort, because that was the turning point. After the great panic, this was the first loan to a socialist country. And this is why the journal called this loan to Hungary an outstanding success, among the other transactions that were the first or novel in some respect.

[Question] But how is this done in practice? What do you do? Do you telephone a few bankers or visit them personally?

[Answer] The entire top management of the Hungarian National Bank was involved in obtaining this loan. Beginning with our president, everyone traveled somewhere. In the countries where we had contacts, we asked them what unfavorable experience they had in their dealings with Hungary during the past 30 years. And it turned out that they did not have any. Then why did they not take a further step? To which most banks replied that they were willing, provided a second and a third bank also participated. We did quite a lot of traveling until we lined all this up.

[Question] Excessive foreign debt. In the capitalist world very many people are saying very frequently that the CEMA countries' foreign debt is excessive, that within this Hungary's foreign debt is excessive, and that this severe

indebtedness is jeopardizing East-West financial relations. How do you regard the entire question of foreign debt?

[Answer] Had you asked me this question a year ago, I would have referred to the Wharton Institute, an Austrian, a German and several other economic research institutes--they all viewed very pessimistically the situation of the socialist countries. They said that year after year we were just increasing our foreign debt, with no end in sight. If I read the present forecasts of the Wharton Institute, a very influential American institute, I find that only the socialist countries succeeded in achieving a turnaround last year. Last year the socialist countries, and I quote from the forecast, "reduced their debt to the West by 8.0 billion dollars." Furthermore, that the per capita foreign debt of the socialist countries is far below the per capita foreign debt of countries that the West at present regards as "questionable," shall we say. Therefore I am obliged to conclude that the institute is now encouraging the West to resume lending because there is no danger: within a few years, the socialist countries have been able to stop the process of growing indebtedness and to practically attain surpluses in their balances of trade and balances of payments. Which means that this institute is reporting--I again refer to its forecast--the socialist combined total foreign debt of record is about 60 billion dollars. By comparison, Brazil's foreign debt is nearly 100 billion dollars; and Mexico's, 80 billion. In other words, the debt of a major Latin American country exceeds the entire socialist camp's debt. And the socialist camp's total includes a country such as the Soviet Union, whose creditworthiness never comes into question. I could almost say that the Soviet Union's receivables exceed its payables. There are countries such as Czechoslovakia, Bulgaria, the GDR and Hungary, which achieved balance-of-trade surpluses last year. Therefore I feel that the socialist countries' foreign debt is an issue that was timely a year ago, during the general run. But now there is no question among experts that the socialist countries are again considered creditworthy. And I believe that we shall soon see the consequences of this in the market as well.

[Question] Let us dwell a bit longer on this topic. How much is Hungary's foreign debt?

[Answer] Here again, no figure remains valid longer than the next 30 minutes. This is because we are accounting our debts in forints. But if we are asked how much is our debt in terms of forints, this is a figure in which no one is interested. Everyone wants to know how much is our debt in terms of dollars. And if I give the dollar total, it will rise or fall depending by how much the dollar's exchange rate changes within an hour. Thus what I wish to say first of all is that the many different figures are due simply to variations of the exchange rates, and there are also changes in the currencies in which our debts are denominated. We have already discussed how our borrowing and lending should be denominated. Thus if our debts are suitably denominated, a change in the exchange rates could reduce our total debt in terms of dollars.

But if you ask me today how much is Hungary's foreign debt, my answer is that our total net foreign debt is between 5 and 5.5 billion dollars. But if we add our reserves amd receivables, then our total gross foreign debt is between 7 and 7.5 billion dollars. The minimum is 5 billion dollars, and this includes

the receivables of Hungarian enterprises, the reserves of the Hungarian National Bank, and our gold. All this has to be subtracted from the 7 to 7.5 billion dollars because actually it is the total net foreign debt that is characteristic of a country's situation.

[Question] Excuse me, but does this mean that Hungary's per capita foreign debt is approximately between 500 and 700 dollars?

[Answer] Yes. About 500 dollars net, and 700 dollars gross. However, it is rather uncertain to judge a country on the basis of its per capita foreign debt, and this can be the source of huge errors.

[Question] It is also customary to examine a country's foreign debt as a percentage of the country's proceeds from export.

[Answer] This is more realistic, but here again there is a problem. How much is Hungary's export? We have about 5 billion dollars' worth of export. Give or take a 100 million dollars, I am talking in round numbers. But with services and tourism, the total is certainly more than 5 billion dollars. And our export in terms of rubles is likewise somewhat more than 5 billion. Adding the two, we get 10 to 11 billion in dollars. If someone wants to compare our debt to our export, he must use our total export. It then turns out that our foreign debt is at a relatively acceptable level. But if they say that only our capitalist export counts and then compare our total debt with this export, then the level of our indebtedness is substantially higher because then our debt is being compared with only half of our export. But then I would like to know, on what basis can one say that Hungary's export is only 5 billion and not 10 billion? Consider a comparison. We are exporting Ikarus buses to the Soviet Union in exchange for, say, oil. France exports Renault cars and buys oil for them. Who would think of saying that France's export must be reduced by the amount of oil they buy, because they have to buy oil for the exported cars, and therefore this is actually not free cash because it must be used to buy oil? Who would think of saying this? Nobody. But in our case they say that if we buy oil for the Ikarus buses, then these buses do not count in our export. A country's export capacity cannot be limited to how much commodities it ships here or there. The question is what does it get for its export. If it gets in exchange commodities that the national economy is able to use and needs, then the total export must be taken into account. Such computation is realistic.

[Question] Excuse me, but has this reasoning not found partial acceptance also at home? Among those who claim that there are two world markets, and that only Western goods are hard goods?

[Answer] I am very glad you brought this up, because to some extent I hold also the media responsible for such thinking. We are saying that we will provide credits to increase our stocks of hard goods. We have never said this to mean that we will sell such goods only for hard currency. The essential thing is that these are goods in exchange for which we can get something that the national economy finds useful and needs. Consequently, this does not mean that we can sell such goods only to the West, but that we can sell them in any market where there is a demand for them, and that their quality is such that in exchange we can get what we need.

1014
CSO: 2500/365

TAX REFORM TO RAISE STANDARD OF LIVING

Budapest NEPSZABADSÁG in Hungarian 20 Jun 84 p 7

[Text] The modifications enacted in the tax code at the beginning of this year unify the various tax rates affecting the population. Those rates used to be determined on a case by case basis. In addition, the average tax payment on the whole has declined by 5 percent. All of this is part of the long-range further development of the tax system. The goal is to give a greater role to the tax system in regulating the income of the population than it had previously.

The population pays 2.5 percent of its income in taxes. This proportion varies with economic status, so small tradesmen and private merchants pay a much higher rate of 15 to 20 per cent on the average. So, accordingly, their income is regulated by the tax system. The change in the tax code primarily affected the small tradesmen, the private merchants, and independent intellectual workers, who all pay above average taxes.

They reduced the tax rates to increase interestedness on the part of producers. Earlier, price increases were not taken into account by the tax system. So, in some cases withholding rose at a much higher rate than did revenues of firms. In certain fields this meant that producers did not find it worthwhile to produce beyond a certain point due to the large scale tax payments. This contradictory situation hurt, among others, improvement in providing for the needs of the population and damaged the increase in the standards of services.

Due to the changes in the general income tax, the tax apparatus is faced with significant problems. The experts have to make sure that in every aspect of administrative work, incomes are taxed based upon the principles of unity. To keep track of revenues stemming from many sources, the Computer Science Institute of the Ministry of Finance has started to organize a computerized system. By the end of the year, the system should be able to compile the revenues and determine whether or not the taxes called for by the code have been paid by the taxpayers during the years.

The 1984 tax code modifications are part of the long range further development of the tax system. The idea is that taxation, while leaving the population's

standard of living constant, should play a greater role than before in regulating incomes! In the long run, only the expansion of the income regulation role of the tax system can establish the preconditions enabling firms to pay for outstanding performance. At the same time, the expansion of the tax system's income regulatory role will support the balance between supply and consumer demand on a economy-wide scale.

CSO: 2500/427

SALES OF STATE-OWNED HOUSING DECLINE

Budapest ESTI HIRLAP in Hungarian 6 Jun 84 p 3

[Interview with Istvan Selmeci, director of the Real Estate Management Enterprise of the 11-12th districts, by Ferenc Szollosi, reporter]

[Text] The decision itself that eligibility for the purchase of state-owned housing will be greatly expanded was already received with great interest. Where and how many people wished to take advantage of the possibility provided by the new legal provisions which became effective last year after a succession of public debates? According to data from the chief directorate of municipal real estate management, over 2600 people. The truth is that the authorities expected more since the number is derived from several hundred thousands.

Applicants came primarily from the suburban small houses with a garden where there are few housing units. And it is not surprising that most came from the Buda districts. Let us survey in more detail one part of the complete picture. We approached Istvan Selmeci, director of the Real Estate Management Enterprise of the 11-12th districts, with our questions. The enterprise owns the state housing in the settlements housing tens of thousands of families and in the suburban garden areas of the two districts. Here is the local list.

[Answer] Of the 400 applicants, 77 came from houses of mixed ownership--these will be handled in a special program, but not out of turn, like the others. An additional 20 applied for garages and workshops. Of the rest, 14 were under temporary or permanent sale embargo (for instance, if the attic space is involved in our re-building program; in these cases, apartments of the house are sold only after completion of the construction), in another 101 cases there was no two-thirds majority of renters needed for the conversion. In reality, 188 purchase offers were dealt with on their merits.

Legal provisions

[Question] When the new legal provisions were being formulated, you, too, were troubled that many of those living in the recently built housing settlements, in good condition, will apply although this would be against the interests of the larger scale, industrial type, uniform management of the houses.

[Answer] This did not happen. On the other hand, there is very lively interest

for the housing units in the suburban settlement of Albertfalva. Surrounded with a park, its small houses were recently renovated. This is characteristic, by the way: the renters of building in good condition are the ones applying. Very few are from large apartment houses. Among the latter, the 21-unit building on 115 Bartok Bela Ave has been the largest so far.

[Question] Buildings with fewer than six units could also be sold earlier...

[Answer] There were many restrictions and prohibitions. These made up a wide ring around the large housing settlements--in the interest of eventual further construction--or for social reasons like in Albertfalva where the rules were protecting the peace and quiet of the aging office workers. But a large part of of the renters has changed during the past few years and further prohibitions became superfluous.

In Budapest, the general experience is that the enterprises have appropriately prepared for the disposal--they have organized information units, prepared pamphlets and formed groups to create the charter document for state buildings to be reclassified into condominiums; occasionally they employed an outside company--real estate brokerage or lawyer's office. (An interesting point: in spite of the opinion of city hall and the ministry of construction, the justice department does not permit enterprise or economic work cooperatives to involve themselves in such work; it considers the form inappropriate for such involvement). However, the actual disposal is starting rather sluggishly in many places; the district council executive committees empowered to make the decisions have received incomplete proposals, at other places the public bodies were late in putting the topic on the agenda. Following the intervention by the municipal directorate with controls and assistance, genuine work has already accelerated. But the observation remains valid: the dissolution of mixed ownership is very sluggish.

South Buda

[Question] What is the situation in South Buda?

[Answer] The "weeding out" of mixed ownership has been going on for decades. However, it is a significant difference that before, we could sell an apartment only if fewer state-owned than privately owned units were in the building. In the opposite case, we would have had to purchase the others, but there were hardly any means to do so. This has ceased. However, the sale of state housing units in mixed-ownership buildings is a more complex task that in buildings totally owned by the state because in the mixed buildings everything has to be resolved with the cooperative owners.

Cooperative housing

[Question] Does the enterprise take care of the tasks associated with the disposal by itself or does it also employ outside help?

[Answer] We do all of the work ourselves since we have sold 50-100 apartments per year even before! The appropriate organization for it has been worked out

and it is also being assisted by other sections from time to time. We work according to plan; the real estate register has already been checked against our records and a verification at the site is now in progress: to what extent does the written record agree with the facts: This is the basis for more rapid progress. The reclassification of buildings with state-owned housing units also requires very thorough care, the clarification of an enormous amount of amall and larger details--from the use of the cellar to the janitor. It is being decided at this time how placid the future will be: what activities are permitted in the charter document. This year we have not yet submitted to the council any material ready for decision--but beginning with July, we will put some on its agenda every month.

2473
CSO: 2500/385

HUNGARY

BRIEFS

HONEYWELL COMPUTER ARRIVES--At a news conference this morning, Csaba Inotai, director of the Skala Department Store, announced that the West German firm ADS has finally delivered a Honeywell model 6/38 centralized computer system, along with its memory. They were five months late according to the original contract. A very big job awaits the employees of the department store. In addition to providing a constant and undisturbed flow of goods, they have to prepare for the necessary procedures regarding the installation of the promised very up-to-date cash register system. As the director said, they have to inventory about 40,000 items, besides the food and shoes stored in the store. They have to inventory every product line in the store. The bar code will replace the traditional price tags. The cash registers will be able to read the bar codes, and will thus avoid many misunderstandings common in merchandising. Currently, the technical transfer and testing of the machines is taking place. Later, the programs will be tested, and simultaneously, the cash register terminals will be set up in loops connected to the central computer. (There will be 6 to 8 terminals in a loop, and they will be connected to a central cash control system.) The work is proceeding at a good pace, but there is still a lot to be done. Hopefully in October, the ready to wear department, and in November the fashion and manufactured goods departments will use bar code prices readable by a so-called light pencil. Csaba Inotai also told the press that they are trying to reach an extra-contractual settlement with the delivering firm. They are dealing through Metrimpex, asking for an offer to compensate them for the many months' delay in delivery. [Text] [Budapest ESTI HIRLAP in Hungarian 22 Jun 84 p 3]

NEW WATER WORKS--A new water plant is being built for Szeged, a industrializing city with a population of 170,000, in order to improve its water supply. It is being built 15 kilometers to the north of the city, in a location where artesian water is still available in ample quantities. The half-billion forint project has already resulted in 15 new artesian wells, dug at depths of 300 to 500 meters. The water is first stored in two water reservoirs of 2500 cubic meters each, then it is pumped to Szeged in a wide concrete pipeline. The new water works will be ready next year. Starting then, a daily 120,000 cubic meters of water will be available for the city or the population, instead of the current 90,000 cubic meters. According to calculations, even this will not be enough at the turn of the century. Therefore, they are looking for new supplies of water. They are planning to drill naturally filtering shallow wells in locations on the banks of the Tisza River, where layers of

sand and pebbles will adequately filter the water. [Text] [Budapest ESTI HIRLAP in Hungarian 22 Jun 84 p 4]

RAILWAY ELECTRIFICATION--The Hungarian State Railroad /MAV/ Miskolc Directorate has electrified the line, using overhead wires, between Vamosgyork and Gyongyos, on the occasion of Gyongyos' 650 anniversary as a city. They will turn on the power on the 34th Railroaders' Day on Jul 3. The experts, in cooperation with postal authorities, will use a heavy train to test the burden placed upon the low-voltage wires. If the measurements have good results, then the overhead wires will continue to carry electricity. With this, electric trains will start running according to an announced new schedule between Vamosgyork and Gyongyos. [Text] [Budapest NEPSZAVA in Hungarian 26 Jun 84 p 12]

NEW BIOGAS PLANT--The nation's largest biogas plant is being built in Pecs to utilize the energy contained in sewage, which is currently being wasted. The Pecs Water Works started the 100 million forint investment project with loans from the National Technical Development Committee, the State Department Bank and the Pecs City Council. The biogas plant will produce fuel with the energy equivalent of 3,000 tons of fuel oil annually from the sludge which forms at the bottom of the tanks at the sewage treatment plant. [Text] [Budapest NEPSZABADSAG in Hungarian 27 Jun 84 p 8]

EXPORT SUCCESSES--Hungarian foreign trade firms are getting to be more and more successful in foreign competitive bidding. Earlier, Komplex Foreign Trading Company shipped Syria three canning plants, and the water supply network and water cooling towers required to run the plant. The favorable experience with the plants helped the firm in winning a recent bid for the delivery of a tomato processing plant. The new plant, with a daily capacity of 250 tons, has recently begun production. Metrimpex Foreign Trading Company, which has in the past marketed educational technical equipment, has participated in bidding in two new markets: Portugal and Greece. Mogurt [Motor Vehicle Foreign Trade Enterprise] shows the recognition Hungarian vehicles have throughout the world by winning several competitive bids in Europe, Africa, and across the seas too. Greece ordered 145 buses, in addition to the 1,000 plus they already have bought from us. The Ikarus components will be assembled with the cooperation of Steyr-Hellas. Another successful bid resulted in the sale of 250 articulated Ikarus buses to Tunisia. The vehicles will be delivered over a period of five years. [Excerpts] [Budapest NEPSZABADSAG in Hungarian 26 Jun 84 p 4]

GAS PLANT PRODUCTION--In the outskirts of Uelles, County Csongrad, [southern Hungary] a medium-sized deep-lying natural gas deposit was found in recent years. Wells have been drilled and surface equipment installed, which these weeks are in continuous operation. About 300,000 cubic meters of natural gas are supplied daily to the Algyoe processing plant. The second phase of the 485-million forint investment will be completed this year. The Uelles gas plant will then be producing 1 billion cubic meters of natural gas annually, one-seventh of the country's total output of natural gas. [Summary] [AU170246 Budapest Television Service in Hungarian 1800 GMT 16 Jun 84]

CSO: 2500/432

DAILY REPORTS DEBATE AT 18 JUNE REFORM COMMISSION MEETING

Warsaw ZYCIE WARSZAWY in Polish 19 Jun pp 1, 2

[Article by (CH): "A Time of Test for New Principles; Directions and Dangers of Changes"]

> [Excerpts] It should be said at the very beginning that the Commission for Economic Reform meeting which was held on the 18th in Krakow Suburb at the Council of Minister's Palace was a serious, analytical meeting, one which evaluated without embellishment, and summed up conclusions as to further reforms. This tone began with the opening speech by Premier Wojciech Jaruzelski, who chaired the deliberations.

The object of the assessment was a report on the implementation and results of economic reform in 1983, but more was at stake and some specific currents were sensed in the discussion about achievements, and particularly about the future. Prof Wladyslaw Baka, the government's representative on economic reform, had some warm supporters in the hall, but there were also some critics, and from two sides.

Gen Wojciech Jaruzelski, as chairman of the commission, greeted its new members, i.e., representatives of the PRON [Patriotic Movement for National Rebirth] National Council, and union activists designated by the federation bodies. He announced also that in the future representatives of the workers' self-government will also participate in the commission's work. The premier next reported that the function of vice chairman of the commission has been entrusted to Prof Zbigniew Messner, vice president of the Council of Ministers.

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The discussion revealed that its participants were also aware of the seriousness of the matters being settled. They knew that a tremendous amount of work had been done, but as one of the speakers said, the present stage is decisive for the future of reform. In general, all of the speakers agreed that the report which had been presented was a very thorough document submitted for the commission's deliberations; nevertheless this did not indicate unanimity either in the evaluations or in further reforming actions.

Prof Jozef Popkiewicz, who devoted a great deal of attention to problems concerning market balance, stated simply that the unsatisfactory results and inadequacies are not due so much to poor economic mechanisms as to the inconsistent economic policy, which was not adapted to the new model.

Prof Jozef Pajestka, who also spoke with praise about the achievements, posed a question on how reform is helpful not only in taking immediate actions and utilizing easily accessible reserves, but also facilitates deeper changes in the economy. From this standpoint it should be observed that we are now at a turning point. At such a point reformers in the 1950's and the 1970's desisted from further reforms and yielded under the pressure of difficulties. That is also why it is so important--and other speakers said the same thing--that the present party leadership continue with the reforms.

Professor Pajestka called attention to the embarrassing burden of the investment policy and the unsuccessful, so far, attempts at extensive revisions, not only in investments but in entire developmental programs.

Much attention in the discussion was also focused on the connection of reform with balance, the necessity of making structural changes, including changes in the organizational structure of industry. Prof Henryk Sadownik also mentioned the dangers or reform and expressed the fear that it may lose its momentum. He asserted that reform is now at a critical point and that the role of the central authority and a reconstruction of the function of the central apparatus are crucial. If it is relieved of its many emergency functions it will be able to really concentrate on fulfilling the function of founding organs.

It is extremely important--and Prof Czeslaw Skowronek also talked about this--that state control be reduced and the branch ministries be divested of the ability to divide assets. It is also essential that the coordinating activities of the government representative on economic reform be strengthened, because his status, the speaker said, cannot be weaker than that of a person who is responsible for economic policy.

Henryk Kisiel expressed concern about management efficiency, and Prof Kazimierz Doktor talked about the social reaction, about the distribution of the social effects of the crisis, and then the effects of economic revival. Prof Jerzy Wiatr also expressed the opinion that the main problems relating to social injustice are not with the social outcasts of the private sector but are due to the inequality in ability of entire social groups to benefit from the self-financing principle. He also called attention to the consumer's position.

A great deal of attention was also devoted to price-fixing matters. Prof Jan Musel said that efficiency from enterprises should not only be encouraged, it should be compelled. He regards PFAZ [State Vocational Actization Fund] as one of the weakest elements in the financial-economic system. Much was said also about mistaken social awareness, about prevailing plans because as the vice chairman of the Planning Commission, Franciszek Kubiczek, said, it is

not correct that everything that the enterprises want is right and everything that the central authorities want is wrong. Similarly, it cannot be said that all reform solutions are good and only economic policy is bad. Actual capabilities and limitations must be considered.

I believe that there has not been such a comprehensive assessment by this group or so many proposals submitted on this critical period of reform for a long time.

9295
CSO: 2600/1036

TEXT OF NEW FOREIGN CURRENCY EXCHANGE RULES

Warsaw DZIENNIK USTAW in Polish No 15, 17 Mar 84 item 69 pp 174-176

[Text] Decree of the minister of finance, 25 February 1984, on the subject of the exchange of foreign currency by foreign persons and the payment by these persons of charges with Polish currency of documented origin.

On the basis of article 14 paragraph 5 of the law of 22 November 1983, Foreign Exchange Law (DZIENNIK USTAW No 63, item 288), the following is directed:

1. 1. A foreign person is obliged to cover the cost of a stay in the Polish People's Republic in Polish currency obtained through the exchange of foreign currency at a Polish foreign exchange bank or at another unit authorized to exchange currency on the basis of a foreign exchange license.

2. Covering the cost of residence by a foreign person can also be performed as follows:

1) payment abroad for the services of Polish travel bureaus or the services of health resort medical care,

2) the purchase at a foreign travel bureau of a payment order issued to a Polish travel bureau,

3) withdrawing the proper amounts in Polish or foreign currency from accounts at Polish foreign exchange banks.

3. The daily rates for the exchange of foreign currency to cover the costs of a stay are determined by the chairman of the Main Committee for Tourism.

2. 1. If the stay of a foreign person is cut short, the Polish currency originating as described in article 1 paragraph 1 may be exchanged for foreign currency in the amount corresponding to the period by which the stay is shortened; the size of the sum subject to such exchange is calculated in accordance with the daily rates for exchange and the exchange rate at which the exchange for Polish currency was made.

2. If the foreign person deposits Polish currency at the organs of the customs administration upon leaving the country, the currency originating

from exchange, as described in article 1 paragraph 1, is not, however, subject to being included in covering the costs of another stay by this person.

3. 1. The following foreign persons are exempted from the obligation to exchange foreign currency, as described in article 1 paragraph 1, or to cover the costs of a stay in the manner established in article 1 paragraph 2:

1) those coming to the Polish People's Republic for permanent residence;

2) those possessing diplomatic or official passports and visas, and members of their families and their domestic servants;

3) those visiting employees of foreign diplomatic representations and consular offices, and other foreign representations enjoying diplomatic or consular immunities and privileges, after presentation of an invitation confirmed by that representation or consular office;

4) those with special contributions to the development of the Polish People's Republic;

5) representatives of international organizations arriving in connection with the fulfillment of contracts concluded between the Polish People's Republic and these organizations;

6) members of delegations or individuals invited by head and central state organs, foreign exchange banks, or head organs of political and social organizations, which are authorized to do so;

7) those arriving in connection with their employment by Poland or as scholarship recipients, student assistants, and trainees, under corresponding interstate agreements;

8) those qualified for studies in accordance with separate regulations or those studying in secondary schools, whose residence costs are borne by members of their families, Polish citizens who reside in the Polish People's Republic;

9) Those arriving as part of the fulfillment of agreements between secondary or higher schools on cultural-educational cooperation on the basis of an exchange not involving foreign currency--pupils and students, participants in artistic groups, language training, etc.;

10) artists and members of artistic or circus groups arriving on the basis of agreements or contracts concluded by units subordinate to the minister of culture and art that are authorized to perform the work of foreign exchange transactions, after the presentation of the agreement or contract, or a certification from these units;

11) citizens of states with which accounts are settled in rubles, if they are permanently residing on the territory of these states, or citizens of

other states who have a permit for permanent residence in these states, unless international agreements determine otherwise;

12) those arriving under the provisions of concluding contracts on the basis of an exchange not involving foreign currency, after the presentation of a certification from the Main Committee for Tourism;

13) those employed in the representations operating in the Polish People's Republic of foreign legal and physical persons, after the presentation of a certification issued by the organ that issued the permit for the establishment of this representation;

14) those earning income through their rights to an enterprise operating on the basis of the 6 July 1982 law on the principles under which foreign legal and physical persons conduct economic activity on the territory of the Polish People's Republic in the area of light manufacturing (DZIENNIK USTAW No 19, item 146), and their spouses, parents and children--after the presentation of a certification from the Polish Security Fund S.A. Bank stating the amount of their earnings; these earnings cannot, however, be less than the equivalent of the mandatory exchange due for the period of the anticipated stay;

15) those crossing in transit, if their stay does not exceed 24 hours;

16) those servicing international means of transportation;

17) members of athletic teams, after the presentation of a certification from the Main Committee for Physical Culture and Sport;

18) members of military athletic teams--after the presentation of a certification issued by the organ established by the minister of national defense;

19) minors under 16.

2. In cases justified by the foreign exchange interests of the state, the president of the Polish National Bank, at the request of a domestic person who has concluded a foreign trade contract, can exempt the employees of foreign enterprises carrying out these contracts in the Polish People's Republic from the obligation to exchange foreign currency for Polish currency, or establish a lower rate for this exchange.

3. The consular offices of the Polish People's Republic, in issuing visas abroad, and the proper organs subordinate to the minister of internal affairs, in issuing visas in Poland, can issue exemptions from the obligation to exchange foreign currency or to cover the residence costs in the manner determined in article 1 paragraph 2, or establish a lower rate for the exchange of foreign currency for Polish currency; this particularly applies to hardship cases, individuals over the age of 65, or other individuals, if this is justified by their financial status.

4. At the request of the minister of foreign affairs, the exemptions discussed in paragraph 3 can also be issued by the border control posts of the Frontier Guard and the border customs offices.

4. 1. The establishment of the obligation of a foreign person to exchange foreign currency, as described in article 1 paragraph 1, or the covering of residence costs in the manner determined in article 1 paragraph 2, is performed by:

1) diplomatic represenations and consular offices of the Polish People's Republic, border control posts of the Frontier Guard, and the proper organs subordinate to the minister of internal affairs, in regard to the foreign persons to whom visas are issued;

2) border control posts of the Frontier Guards, with respect to foreign persons exempted from the obligation of possessing visas.

2. The fulfillment by a foreign person of the obligation to exchange foreign currency as described in article 1 paragraph 1, or to cover the costs of his residence in the manner specified in article 1 paragraph 2, is established by the border customs offices, and in regard to foreign persons for whom visas are being extended, by the proper organ subordinate to the minister of internal affairs.

5. 1. Foreign persons using the exemptions discussed in article 3 are obligated to make payment for charges for hotel services in Polish currency originating from the documented exchange of foreign currency.

2. The obligation described in paragraph 1 does not apply to members of the diplomatic representations and consular offices of foreign states, or of other foreign representations enjoying diplomatic or consular privileges and immunities, foreign journalists possessing identification issued by the Ministry of Foreign Affairs, or the foreign persons described in article 3 paragraph 1 item 14.

6. 1. The documentation by foreign persons of the origin of Polish currency from the exchange of foreign currency or from another source is required if the payment is made to cover the following charges:

1) customs charges;

2) charges for services and care by state, cooperatives, and other socialized medical and health resort institutions;

3) for:

a) payments and outlays in civil proceedings, including execution ones, and for notary services;

b) property protection;

c) payments and outlays in matters from complaints to the Supreme Administrative Court on administrative decisions;

d) the cost of proceedings on juvenile matters;

e) bail, fines, payments and costs in criminal and fiscal criminal matters, and in matters of misdemeanors, with the exception of fines imposed during mandate proceedings;

4) for the rent of rooms and premises, hotel services, the lease of buildings and grounds, and use in perpetuity, if the charge is on behalf of units of the socialized economy or the payment is made through this unit;

5) for services in the transportation of people or services in shipping, transporting, and insuring parcels on foreign routes.

2. The obligation described in paragraph 1 is considered to have been fulfilled if the Polish currency originates:

1) from a documented exchange in Poland of foreign currency at a foreign exchange bank or at another unit authorized to exchange foreign currency, not constituting, however, the obligatory exchange for the costs of residence, unless payment is made from the obligatory sum for the rent of rooms and premises or hotel services;

2) from a documented payment from the bank account of a foreign person held in foreign or Polish currency, if the conditions under which the account is held permit payments for the charges specified in paragraph 1;

3) from the documented bringing from a state belonging to CEMA of Polish currency acquired in that state on the basis of an interbank understanding;

4) from another documented source, if the foreign exchange permit allows payment of the charges described in paragraph 1.

3. Documentation of the origin of Polish currency is not required if the total charge for one item does not exceed 1000 zlotys.

7. 1. A document stating the origin of Polish currency is:

1) if from the exchange of foreign currency--the original copy of a certificate giving the name, issued by a foreign exchange bank or another unit authorized to exchange foreign currency;

2) if from a bank account--a certification issued by the bank holding the account;

3) if brought from a state belonging to CEMA--a certification by the bank or authorized unit at which the Polish currency was acquired, with a notation by the Polish customs office on its being brought in;

4) if from another source--a certification issued by the unit making the payments, which is authorized for this by virture of the regulations of the foreign exchange law.

2. The document described in paragraph 1 points 1, 2, and 4 should be issued during the stay by the foreign person in the Polish People's Republic.

3. The document described in article 1 loses its validity at the moment the foreign person leaves the Polish People's Republic.

4. A Polish person who receives from a foreign person payment in Polish currency for a charge specified in article 6 paragraph 1 is obliged to include on the document of origin a notation on the size of the amount received in payment.

8. The principles under which foreign persons cover charges for liquid automobile fuel are determined by separate regulations.

9. In connection with article 43 point 1 of the law of 22 November 1983, Foreign Exchange Law (DZIENNIK USTAW No 63, item 288), this supersedes the decree from the minister of finance of 14 April 1977 on the subject of foreigners covering the costs of residence in the Polish People's Republic (DZIENNIK USTAW 1977, No 12, item 49 and No 21, item 91, as well as 1979, No 16, item 102).

10. The decree goes into effect on 31 March 1984.

Minister of Finance S. Nieckarz

9909
CSO: 2600/905

PLANNING OFFICIAL ON CENTRAL SCREENING, CONTROL OF CAPITAL PROJECTS

Warsaw ZYCIE WARSZAWY in Polish 19 Jun 84 p 3

[Interview with Minister Jozef Zajchowski, vice chairman of the Planning Commission, by Jacek Mojkowski: "Controlled Growth"; date and place not specified]

[Text] [Question] Jacek Mojkowski: When one reads the GUS (Main Statistical Office) reports, one thing seems to be certain: that the confusion in investments is eternal. It is present now, was present in the past, and everything points to the fact that it will still be with us for a while longer. Why is this, Mr Minister?

[Answer] Jozef Zajchowski: Investments costs are never a specific burden on anyone, because the money allocated for investments are "nobody's." The mechanisms which would prevent hasty decisions and compel a search for competitive solutions are also too weak.

[Question] What you have just said agrees with what has been said many times when the functioning of the economy in the 1970's was being criticized. Does this mean that nothing in the field of investments has changed?

[Answer] We must assume that several percent of the ventures will be unsuccessful. That is how it is everywhere in the world. However, we must concentrate on how to hold this percentage to a minimum. First of all, we must rigorously observe the sources for investment financing, that is, specify where the money is coming from for the implementation of various ventures. And this is an important change in comparison with past years, when, having already decided to build something, funds had to be found even if there were none. Furthermore, a detailed "filtering" and selection of new investments is being made in order to prevent further chaos in this area.

[Question] Do you not believe that this is a somewhat bureaucratic approach to this matter?

[Answer] The effects of the mistakes are proportional to the size of the investments. The larger it is, the more checking should be done. Ultimately, whether, for example, an automobile plant decides in the future to set the amount of production at this or that figure, or this or that model, is no longer its business alone.

[Question] But will you, sitting here in this room, know better than those in the plant what should be projected? They have been in the automobile business for years, and you have not.

[Answer] That is true, I am not in that business, but I know what the whole country can afford, and they do not. In addition, I have specialists in the bank, in the Ministry of Foreign Trade, in the branch ministries, and independent experts, who "sound out" investments from various sides. I will gather all of the opinions and only then will a decision be made. Also, it should be remembered that such a procedure would immediately cover several dozen cases for the entire 5-year period.

[Question] But none of these decisions will be objective, because everyone doing the verifying will be looking after his own interests and his arguments, which he will then submit to you, will be selected from that standpoint. An example of this is the list of central investments, which were not always chosen because they were economically sound but sometimes also because the sector groups exerted the greatest pressure.

[Answer] The central investments cover energy, coal and the heating plants, in short, the economy's infrastructure. Two years ago they were confirmed in the Sejm and in the plan it was assumed that they would not exceed 15 percent of the total investment outlays.

[Question] ...and if we add to that the central investments which, it is true, were assigned to the enterprises but are still being financed to a large degree from the budget...

[Answer] ...then the total will be about 40 percent. But I believe that we should stop pretending, that since these investments are necessary to the economy and we also know that the enterprises will not be able to finance them, the budget must assume part of the burden.

[Question] Well, of course, but do we need all of these investments and do all of them have to be completed, at any cost? Can we not do this: leave this 15 percent of the investments to the central authority and assign the rest to the enterprises, while at the same time providing better financial conditions for them? The enterprises would know best what to do with this "mishmash," and in any case, better than the "central filter" about which you spoke earlier.

[Answer] If we were to turn the investments over to the enterprises entirely. do you think that something newer, different, or better, would come out of this? No, the enterprises will follow the old program, the front will extend still further and tensions will grow.

[Question] But the investment reviews which are made at the central level still seem to be following the old program. The production results being obtained today look more like those of the economy in the 1970's than the 1990's.

[Answer] Yes, the shortage of materials is really strangling our economy. Not coal, copper, etc. We simply do not have an entire group of highly processed materials which determine the quality of production, its competitiveness, etc. And our concept of reviewing investments is directed precisely at that. And it is our misfortune that these investments are very capital-intensive.

[Question] And so this program is not suitable for a time of crisis...

[Answer] If you want to have the highest class materials, you have to invest in this. If you want to have a rolling mill which will produce sheetmetal of minimal thickness with devilish accuracy, then you have to buy good equipment, which, unfortunately, is expensive.

[Question] But do we need a rolling mill at all at this time? Can we not invest this money in those industries which are now excessively consuming sheetmetal?

[Question] No industry will produce products that are cheaper or lighter, because it uses the materials that it has. Therefore, we must first invest money in production of better materials, so that we can then achieve economies in the final goods. Some people are saying, for example, that we should invest in electronics, microprocessors, etc., because this is progress. But what happens when we build an assembly plant and then it turns out that we do not have the suitable materials for production and as a result we again have to turn to imports...

[Question] For 40 years now there has been talk about nothing except the fact that we must invest in facilities...

[Answer] That is the nature of technical progress throughout the world. It is not made on final products, but in the production of better and more economical materials.

[Question] Do you not get the impression that the structure of our present investments is similar to that of the Third World countries?

[Answer] Whether anyone likes it or not the facts are that we are a developing country. If the Western countries had our national income they would conduct a model of development similar to ours.

[Question] But the investment program which we are implementing today does not meet social needs. It is said that there is supposed to be market production, better utilization of secondary raw materials, etc. Yet we learn that we must invest in facilities which are capital-intensive, and that the first results of this production will not be seen until 5 to 10 years. Perhaps, therefore, we should permit the enterprises to invest, which will bring the first results in 2 years at the most.

[Answer] The fact that some ventures are capital-intensive does not mean that we have to wait 5 or 10 years. I repeat, we are not talking about

expansion of a raw-materials base, which, by its very nature, is a long-term process, but about processing and manufacturing materials and technological equipment. And in this field the investment cycles are similar to those which occur in the final products. Therefore, if we want to produce more for the market and for export, we can do this only by reducing the costs per unit of production. And for this we need the suitable materials and technology. I am talking here about the long term, because in the short term, obviously, we must eliminate glaring waste and uneconomical management.

[Question] It is said that reform is supposed to incline us toward use of efficiency criteria, yet the long time until we obtain a return on our investment deepens the economic imbalance and puts us still lower in the international division of labor.

[Answer] The economy today is in such a state that it could not withstand sudden movements in investments. Aside from that, this program, despite appearances, has its own internal logic. When we attempt to move one thing in it, the other collapses. From time to time we receive different proposals on how to solve the problem. For example, that we halt investments whose implementation time goes beyond 1986. Statistically you will have beautiful efficiency. You will then take the computer printout, cut off those parts which do not fulfill conditions, and that's the end of the problem. Except that it may turn out that some factory fell within that deadline and it was complete, but its supply base was cut off... We must also realize that the possibility of "converting" production assets in modern technology is truly small. If you have a plant equipped with an automated line then you either have to complete it or give it up entirely. We learned about this in the case of "Ursus" [tractor factory], when we thought that perhaps we should not build a factory for 100,000 tractors, but only for 50,000 tractors. It turned out that although production would drop in half, the costs of the undertaking would drop only a couple of percent. Nevertheless, there are some ways in which the present investment program can be reduced. Changes can be made in the design of facilities which are not far along in construction, and the investment can be reduced somewhat in this way. In order to do this, we must break the monopoly in planning industrial investments. We are in the final phase of appointing a group of experts for the Planning Commission to evaluate the existing investment projects. And over the longer time frame we intend to put into motion some mechanisms which create competition, not only as to the direction of investment but also as to how to invest so as to achieve the same result with the lowest possible outlay.

[Question] The enterprises themselves could attempt to redesign the old investments, make them smaller, cheaper, faster. The first production results could be apparent after 2 years...

[Answer] Certainly. Anyway, nothing is preventing them from doing that right now. I even believe that after we become more familiar with the matter, we will persuade them to do this by creating suitable incentives and applying financial pressure. And as far as more general methods of controlling the investment process are concerned, I believe that the enterprises should have

funds to regenerate their production potential, while new ventures will be verified by the central institutions--the banks, founding organs, etc.

[Question] That is, fully controlled growth?

[Answer] Yes.

9295
CSO: 2600/1036

ACTIVITIES OF POLIMEX-CEKOP FOREIGN TRADE COMPANY DISCUSSED

Warsaw ZYCIE WARSZAWY 17 May 84 pp 1, 2

[Interview with Stanislaw Opallo, general director of Polimex-Cekop Foreign Trade Company: "It Still Is Good Business"]

[Text] [Question] The export of turn-key industrial projects--popularity referred to as the visiting card of Polish industry--have decreased of late. Opinions on the reason for this are divided. Some experts claim we are wasting our chances, others maintain that we should rather be glad that instead of continuing highly material-intensive production the industry will be able to focus on the manufacture of highly-processed products. Are there really conditions for promoting this branch of export? Is it really profitable?

[Answer] Poland has several huge, excellently furnished plants specializing in the construction, modernization or expansion of capital industrial projects. Moreover, we have long-standing experience in the technology, organization and trading schemes involved in the export of projects which are generally referred to as turn-key ones. These projects may only involve modernization, the delivery of components or materials or, frequently, general supervision of the construction, the starting of a plant, or training schemes. As a result of the recent cuts in domestic investment programs, the export potential in this sector is not being fully utilized.

[Question] Would it pay to considerably expand this branch of exports? Can we now afford to grant credit which practice is customary in the export of turn-key projects?

[Answer] The contracts concluded so far by Polimex-Cekop indicate that the export of capital projects is still profitable, much more profitable than the exports of other goods or services to both currency zones. These exports should therefore, be promoted by all means, particularly as their development requires no extra investment. In saying "promoting" I do not mean any form of preferential treatment, only the rights enjoyed by other export-oriented branches of the industry. Credit-granting is not a pre-condition for such a type of activity, although, when good prospects for material supplies are in view, we should comply with the financial capabilities of our would-be partner, by extending credit facilities.

[Question] There is talk that by promoting the sales of turn-key projects we are only reinforcing the adverse trends in our economy which is now highly material and energy intensive.

[Answer] Actually, a large proportion of the machinery and equipment manufactured at home is obsolete from this point of view.

Considerable progress should be made in many branches of industry with regard to reducing the levels of material and energy consumption. Yet, there are also technologies which can successfully compete with foreign ones. Remember that the export of turn-key projects includes, in addition to machines and equipment, expertise and organizational and trading schemes. There is also another important aspect when selling a complete project we also sell components which we would not be able to sell otherwise, and these too, often fetch a good price.

[Question] What is the basic reason underlying this rapid decline in capital project exports, and particularly, the scarcity of contracts concluded in this field?

[Answer] There are reasons of both an external and internal nature. The former include the present political situation which is not particularly favorable for investment and unfavorable economic conditions in many branches of the economy, especially the sugar industry. The internal factors include primarily problems with obtaining quality building materials, which would enable the constructors to employ modern and economical technologies characterized by low steel and energy consumption levels. There are also limitations of apurely organizational and systematic nature, namely the present financing and crediting system and the incentive system.

[Question] Are there in your view, any development prospects for investment project exports.

[Answer] There are sectors offering a fair chance for our exports, in others we have yet to gain a foothold on foreign markets, and in still others limitations are so severe that we will probably have to give up. The most important way forward now is to select new technologies meeting the world standards and apply them in those branches of industry which promise long-term contracts within CMEA, and also with the developing countries which may be the suppliers of essential goods, particularly raw materials. We recently carried out a review of technologies available and it turned out that many of them, especially chemical ones, are still attractive. In other sectors, production should be adjusted to meet the needs of development programs implemented by many countries, particularly those involving the production and processing of food, or the modernization of chemical industry. We are well prepared for such an undertaking in technical terms. We have won ourselves a reputation within CMEA and in many other markets as a respected capital goods producer. All we have to do now is adopt a different approach to the exports issue, namely, to seek to offer products for which there is the highest demand and not only those that have been manufactured so far under production programs. The first effects of such an approach are already available.

After the years of stagnation, first major contracts have been concluded with the convertible currency countries. The program of cooperation within CMEA is becoming increasingly concrete. All this indicates that our export prospects are improving. Every effort should be made now to adjust our financial and economic system and operational methods to make the best of each export opportunity.

CSO: 2600/1062

TELECOMMUNICATIONS INDUSTRY SETS GROWTH PROGRAM

Warsaw RZECZPOSPOLITA in Polish 21 Jun 84 pp 1, 5

[Article by (kos): "Problems in the Development of Telecommunications"]

[Text] The need to make up the lag in telecommunications forces us to think about accelerating its development, especially as regards the telephone network. Is this possible under present economic difficulties? How can this progress be made? Those were the questions to which answers were sought at a conference on problems of the development of telecommunications during the years 1986-1995.

The conference, which was held on 20 Jun 84 in the Office of the Council of Ministers, was attended by the following: chairman of the Central Committee of the Democratic Party, Edward Kowalczyk; Minister of Communications Wladyslaw Majewski and other representatives of the Ministry of Communications, post office and telecommunications district directors, representatives of technical colleges and industrial and construction enterprises involved in communications.

Telecommunications is a field that has long been neglected in our country, which is seen most vividly in the telephone network. Despite the fact that during 1970-1982 the number of subscribers doubled, and thanks to economic reform there was also some acceleration in this field, nevertheless from the standpoint of number of telephones per 100 inhabitants we are below the average of the CEMA countries and even the entire world.

There are now 1.3 million people waiting for installation of a telephone. At the present rate of development of the telephone network, in 1995 this number will increase to 1.8 million.

Recognizing these needs the Ministry of Communication has prepared a two-variant program for telecommunication development.

The program, which envisages certain financial preferences but without budget subsidies, was approved by the Commision for Economic Reform and Economic Policy in the PZPR Central Committee. Members of the Polish Academy of Sciences came to the same conclusion. But will it be possible to accomplish these intentions?

9295
CSO: 2600/1036

CRITICAL WATER SHORTAGE, DROUGHT DESCRIBED

Agriculture, Industry Water Shortage

Warsaw RZECZPOSPOLITA in Polish 24 Apr 84 pp 1, 2

[Text] For the third year in a row, there has not been much rainfall. This has diminished the level of ground water and subterranean water. Problems have increased with supplying water to people in many cities and villages, to industry and to power plants. The water level in reservoirs is exceptionally low; the same situation exists in the rivers and village wells. In the affected areas, the water shortage is approaching disastrous proportions. The situation is related below by RZECZPOSPOLITA's correspondents.

Walbrzych Province is the region most affected by the shortage of underground water. The municipal economy has been using its water resources to the fullest. There is almost no possibility of storing surface water. Only one reservoir in Lubiechow has capacity holdings of 3 million cubic meters of water.

The demand for water for municipal use is 287,000 cubic meters, but all water intake has capacity for an output of only 212,000 cubic meters. The shortage is 75,000 cubic meters. The subterranean water intake is most stable and gives 150,000 cubic meters. The balance comes from ground water intake, which now delivers only 25,000 cubic meters because of drought. There is a water shortage in 26 cities, not to mention villages. The most difficult situations are in Swiabodzice, Bialowa, Jedlina Zdroj, Nowa Ruda, Zloty Stolz and Miedzylesie. Water intake for industry covers 60 percent of the demand.

The authorities in Walbrzych Province have undertaken many tasks to relieve the consequences of the drought disaster. Bronislaw Lesiak, director of the Department of Municipal and Housing Economy stated the following: "We have introduced water rationing in many cities. As was the case last year, tank trucks deliver water to 16 cities and to more than 20 villages. During the last few months, as a result of this rationing, the water supply situation has improved a little in Dzierzoniow, Nowa Ruda, Pieszyce, and Zarow. We have carried out inspections of water installations in apartments and have repaired 6,500 leaks, reducing water loss. We have completed six capital investments with respect to water supply. We have spent for this 400 million zlotys from the water economy funds. Eleven tanks will be completed soon, among them the more effective intake system at Kamieniec-Zloty Stok."

The recent rainfall has strengthened the water supply in reservoirs in the urban centers in Upper Silesia. According to officials from the Provincial Enterprise of Sewage and Water-Supply Services [WPWiK], the accumulated water levels -- even when there is no rainfall -- will be sufficient to meet demands for water by municipalities and industry for the balance of the year. Thanks to greater wetness in the soil, we should see a more rapid maturation of the crops this season.

One should emphasize the fact that the efforts of the WPWiK have eliminated some of the damage to water mains in the region. Around 50 to 60 damaged mains are removed each day.

A better situation with the water supply exists today because in March the WPWiK conducted its "water-tight" policy in the neighborhoods and homes. As a result of this action, which was conducted without pay, a great deal of leakage was removed, saving 10,000 cubic meters of water during a 24-hour period.

Current weather conditions are worsening the deficiencies in ground and surface waters. At the beginning of January of this year, specialists from the Institute of Meteorology and Water Economy [IMiGW] forecast that it is probably not possible to rebuild ground water levels, and thus poor moisture levels in the soil are expected at the beginning of the crops growing season.

In the opinion of the Agrometeorological Branch of the IMiGW, it is possible that there will be shortages of soil moisture needed for full crop growth if no rain comes in May. Unfortunately, there have been no changes in April. The specialists from the IMiGW are saying that through the end of this month, there will not be any substantial rainfall, maybe only occasional showers.

Krakow belongs to the affected urban areas in which deficiencies in the water supply are especially great. Because of the extensive construction of apartment housing and industrial facilities, water frequently cannot reach the highest levels of apartment buildings during periods of high water usage. On a daily basis, Krakow lacks between 20,000 and 25,000 cubic meters of water.

Some improvement should take place upon completion of the second section of the pipeline for water from Raba Dam in Dobczyce. But this will not resolve the problem totally.

The Lenin Steelworks, the largest user of water in the Krakow region, has begun to save water. It is enough to say that the Lenin Steelworks uses around 10 cubic meters of water per second. Fortunately, a recent investment of 70 million zlotys to reduce water usage for plating already has shown good results. Similar projects to decrease water usage by 60 percent are planned.

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The water shortage in our country is a new socioeconomic phenomenon. Difficulties with the water supply have existed before, especially in big cities like Wroclaw, Krakow and a few cities in Silesia, but this was caused by insufficient construction of water intake and treatment facilities. Now the water shortage, as discussed by our correspondents, has a much more serious character. Three successive years of drought have reduced water levels in village wells by more than 30 percent. Sometimes farmers have to haul water for irrigation more than 10 kilometers.

The situation in the cities is becoming more difficult. The water supply in the reservoirs does not allow for a steady flow of water in the rivers. We should add here that in 31 storage reservoirs we can store up to only 5 percent of the annual river outflow. Other countries have a better situation; Bulgaria can store up to 15 percent; the Soviet Union 12 percent, and Czechoslovakia 14 percent.

The renewal of surface and subterranean water supplies -- even if conditions are best -- cannot take place quickly. An especially long-lasting process is the restoration of the subterranean water supply, which is more diminished near large urban areas.

The conclusions speak for themselves. We cannot count on radical changes in the water supply in the country in the near future, but the difficulties can be moderated. The primary focus is to save water at home and in industry and to eliminate waste and leakage in the water mains and home installations. Water loss in homes is so great that if it is eliminated, water could be saved for 1 million people.

Drought Worsens Situation

Warsaw RZECZPOSPOLITA in Polish 7 May 84 p 6

[Interview with Zdzislaw Stencel, undersecretary of state for the Office of Environmental Protection and Water Economy, by Irena Witanska]

> [Text] From all sections of the country, news is pouring in about the water shortage. Water is delivered by tank trucks to 120 towns. People, industry and agriculture all complain about the water shortage. A journalist from RZECZPOSPOLITA discusses the situation and possible solutions with Zdzislaw Stencel, undersecretary of state for the Office of Environmental Protection and Water Economy.

[Question] The climate in our country is capricious. Sometimes we have rainy Julys and other times we have droughts year after year. It seems the dry years predominate.

[Answer] We really do have more dry years. A less moist climate predominates in Poland with 500-700 mm of annual rainfall. The least moist climate occurs

in 68 percent of our country, temperate in 16 percent and moist in 16 percent. During the last few years, the average rainfall was 189 billion cubic meters of water, but only 54.8 billion cubic meters go to the rivers, lakes and underground waters. The remainder goes back into the atmosphere. A little water (7.8 billion cubic meters) comes to us from other countries. On the average, the yearly supply of water is 62.6 billion cubic meters.

[Question] It seems that this number is large, but if we reduce it to a per capita basis, it becomes apparent that we are not a water-rich nation.

[Answer] I can state that in water supply, we are more than poor. We rank 22nd in Europe in water per person, as our indicator is 1,700 cubic meters of surface water per person. For example, it is 24,000 cubic meters per person in Bulgaria; 19,600 cubic meters per person in the Soviet Union; 12,000 cubic meters in Hungary and 2,100 cubic meters in the German Democratic Republic. And in the future, when Poland reaches a population of 40 million people, the number will be reduced to 1,460 cubic meters of water per person.

[Question] This is not an optimistic view. The only hope is sensible water use, which can to some degree counter the capriciousness.

[Answer] Storage reservoirs are one of the few methods available to store water. Their function is to maintain water from excess rainfall or thawing. We have 138 large storage reservoirs providing for 2.8 billion cubic meters of water. This is only 5 percent of the required outflow for the entire country.

[Question] Inconsiderably. Five percent is a very low retention rate. A comparison of the same indicators shows that Bulgaria has 15 percent, the Soviet Union 14 percent and Czechoslovakia 12 percent.

[Question] The supply of surface water feeds the underground water. How is this exploited?

[Answer] Differently, depending on the region of the country. The water supply is unequal. There are areas where the water supply is less than 10 cubic meters per 24 hours in 1 square kilometer and there are areas where it is more than 200 cubic meters. It is worth knowing that surface water is restored on an annual cycle, but underground water needs many years to be restored.

[Question] Is the underground water also exploited?

[Answer] That depends on where. At present, mining uses between 58-81 percent of the underground water as compared to supply. In some urban areas (e.g., Lodz, Warsaw Gdansk, Radom and Katowice), over 50 percent of the underground water is exploited.

[Question] Who uses the most water?

[Answer] Almost 70 percent of the water is used by industry and the power generation industry. The water used by the power generation industry is turned back, but it is too warm. In second place -- around 19 percent -- is water used by the municipalities. In third place are agriculture and forestry. Twelve percent goes for rural use in farming and fisheries.

We also have to know that with our economy growing, the demand for water is increasing. During the decade 1970-80, the demand for water increased by 40 percent and it is still growing. Unfortunately, we cannot promise all users enough water. In the provinces of Katowice, Bielsko-Biala, Walbrzych and Krakow, as well as areas of extensive agricultural production, we have a chronic shortage of water. This situation, as I have explained above, is worsening because we are enduring our third straight year of drought. Almost all of the rivers are either at middle or low level. In two-thirds of the country, the groundwater level is reduced. There are regions where the groundwater level is reduced by as much as one and one-half times the average value.

[Question] At the end of April, one could see a dry bottom in Lake Goczalkowice. This is the first such occurrence since the reservoir was built.

[Answer] Lake Goczalkowice, which is the main source of water for all of Silesia, is filled only to 12.8 percent of its capacity. The Tresna Reservoir near Zywiec is 12.5 percent. Low water levels in the reservoirs and in the groundwater are worsening an already bad situation for water supply. All wells are dry in many regions near the mountains. A similar drought occurred in our country 50 years ago.

[Question] What measures are being undertaken by your office?

[Answer] We are undertaking many actions in cooperation with the provincial authorities to conserve and save water. We limit water to industry for the benefit of the people. Industry has had to get by as best it can and build more water purification plants for internal use. We have organized delivery of water by tank-trucks to villages and cities. We have set into motion floating pumping stations and portable pipelines. We have deepened existing wells. We have tightened controls on the delivery of water to industry and have encouraged greater use of water purification plants. We hope to transfer from other provinces more water to Katowice, where the shortage is especially critical. We had to build for this a new water intake in Grodzisk on the Slawa River and a pipeline between Pogoria and Czarna Przemsza.

[Question] As I understand this, these are emergency measures to soften the effects of the drought. But what are the perspectives for the water supply?

[Answer] In order to reduce the effects of the drought and to improve the water supply, we must build new reservoirs and regional systems of canals and pipelines. It is very important to start construction now of a reservoir

at Swinna-Poreba, which can help solve the water supply problem in Bielso-Biala and Katowice. In 1986-90, we have to start to build reservoirs in Sosnowka for Kotlina Klodzka, Sulejow and second stages for Lodz, Kamieniec Zabkowicki, Walbrzych, Legnica and Opole, Rzyniowka for LGOM and others. The water transfer system from Nysa Klodzka to Olawa to supply Wroclaw should be built quickly. Without the construction of these new systems, there will be no marked improvement in the water supply situation.

9807
CSO: 2600/1015

POLAND

RECENT UNIVERSITY CONTRIBUTIONS TO INDUSTRIAL R&D EFFORT

Warsaw TRYBUNA LUDU in Polish 21 Jun 84 p 3

[Article by T. Miecik]

[Text] Institutions of higher education, including technical universities in particular, have been stepping up their research programs in support of the economy. By now more than half of all the research programs under way in technical universities are being carried on in direct response to contract orders placed by industry.

The work that has been done on these contracts, in addition to other work associated with the fulfillment of national research programs (government programs and critical project programs), in the nation's technical universities has lately given rise to a large number of interesting new ideas and problem-solving approaches.

Thus, for example, Wroclaw Polytechnic has constructed and put into operation a unique pressurization system incorporationg a three-phase fluid reactor. This device can be used for the direct liquefaction of hard and brown coal, the improved processing of residual petroleum products, the investigation of the processes taking place in a gas-liquid-solid system, and other research and industrial projects.

At this same school a technique was developed for the processing of low-temperature tar, a promising raw material useful for the production of fuel fractions that was obtained for the first time in Poland as a result of the process used for the high-speed slurrying of brown coal at the Institute for the Chemical Processing of Coal in Zabrze. This process design developed by the scientists at Wroclaw Polytechnic is yet another step forward in research on the production of liquid fuels from coal.

The Institute for Marine and Industrial Electromechanics at Gdansk Polytechnic has developed a special type of magnetometer with a capability for making highly accurate and very rapid measurements of magnetic fields over large areas. It is expected that the Institute's Experimental Research Center, where this device was developed, will be responsible for meeting both domestic demand and the demands of the other CEMA countries for this instrument (presently manufactured only in the Soviet Union).

This same institute recently developed and built an original electronic apparatus used to measure hydromechanical pressure generated in one ton of water by ships under way and other floating objects.

A working model of a device used for the induction preheating of antifriction bearings has also been developed and built at Gdansk Polytechnic. This device, which has gone into service at the Gdansk Drydock Yard, is inexpensive and easy and safe to operate.

CSO: 2600/1052

ROMANIA

EFFORTS TO ACHIEVE INTENSIVE ECONOMIC GROWTH

Bucharest ERA SOCIALISTA in Romanian No 9, 10 May 84 pp 4-9, 44

/Article by Prof Dr Gheorghe Cretoiu: "Emphasis on Intensive Economic Growth"/

/Text/ Emphasis upon the qualitative aspects of socioeconomic development and a greater contribution of the intensive factors of economic growth are both characteristics and priorities of the present stage of socialist construction in Romania. They have been fully substantiated in the documents of the 12th Party Congress and the National Party Conference and in the works of RCP Secretary General Nicolae Ceausescu by a comprehensive and in-depth scientific analysis of the relationships between the stage reached in the development of the productive forces and the new demands of construction of the fully developed socialist society, between the extent of the quantitative accumulations and the necessity of starting upon a new developmental stange, and between the internal factors and the international conditions of economic growth.

In bringing out these requirements and their interdependences Nicolae Ceausescu said at the National Party Conference in December 1982 that "In the last three five-year plans and especially in the decade of 1970-1980 we have progressed in economic development on a very broad front. We have covered great historical distances, passed through several socioeconomic stages, and begun to build the fully developed socialist society. Because of this rapid advance we must take all measures necessary to consolidate the great gains and secure a new balance and harmonious development of all activities in order to eliminate any contradictions or irregularities that have arisen and to prepare for further progress to the heights of communist civilization... In view of those considerations, we have placed the priority in the first 2 years of the current five-year plan on the shift to intensive development of the economy, achievement of higher quality, and growth of labor productivity and economic effectiveness." (1)

The shift to intensive development is the main point in the party's current economic policy emphasizing mobilization of all factors upon which national economic development depends and a more effective economic dynamism in order to recoup some of the shortfalls in the first years of the five-year plan and attain the goals set by the 12th Party Congress and the National Party Conference.

In the RCP's view the two main forms of economic growth, extensive and intensive, are not in opposition or mutually exclusive but inherently interrelated, since all potentials for growth of social production and the national income must be fully exploited. In the first place this requires complete use of the nation's total time reserve and the labor potential that we have in each stage as the main force for social production and a source of a new value. We must bear in mind that the generations making up the population fit to work now and in the next few years exceed the number of those leaving social production, so that new jobs must be created. In the second place this factor together with the demands of restructuring industry and the technical-material base of the economy requires greater investments and activated fixed capital. In agriculture, in addition to intensified preparations for irrigation, procedures for erosion control and land reclamation will be applied in order to enlarge the nation's arable area, just as extensive increases will be made in all sectors in varying proportions. And finally, to complete the picture of the involvement of the extensive with the intensive aspects, it must also be borne in mind that consistent promotion of scientific-technical progress in all sectors and especially in industry is basic to modernization and restructuring of the national economy in the present stage. This factor, an intensive one par excellence, has a very stimulating effect upon the qualitative aspects of productivity, quality, conservation of resources etc., but it also requires financial resources, investments and a large measure of skill and innovation. For example, new funds will be required merely to replace the energy-intensive technologies and equipment with new ones consuming less energy in order to obtain the same amount of finished use values with lower inputs. For instance, while conversion of cement production to the dry process is more economical from the standpoint of energy consumption, which means emphasizing the economising intensive aspects, it makes greater demands upon resources in the form of fixed assets and research outlays. And of course the examples could be multiplied to bear out the idea that there is no dichotomy between the two forms of economic growth. But the task that the 12th Party Congress assigned is to provide for emphasis on the qualitative aspects so as to increase the contribution of the intensive factors to growth of the social product and the national income so that they will equal and then outweigh the extensive factors. Accomplishment of this task will unquestionably make a revolutionary qualitative change in the basic correlations of the reproduction process, because it will lead to a shift in the type of economic growth to a predominantly intensive one, with favorable effects upon all activities as well as the public's living conditions. It is significant in this respect that both the gain in economic effectiveness and in use of fixed assets and the better use and conservation of raw materials and energy lead either to a relatively reduced demand for investments, with the effects of that upon distribution of the national income between accumulation and consumption, or to a more pronounced growth of production and national income.

Greater Role of the Intensive Factors in the Present Stage

The firm policy of intensive economic growth and reproduction is based on considerations of the far-reaching changes, the possibilities and requirements, and the factors now affecting socioeconomic development.

A critical part in this is played by the technical-material base of Romania's national economy, in the form of the fully developing, modern production system

and the present structure of the national economy, created by promoting the industrialization policy and contemporary technical-scientific progress. This is illustrated by the growth of technical equipment of labor in the socialist reproduction process (The average value of fixed assets per worker employed in the productive sectors increased by more than 10 times in the years of socialist construction), the modernization of the production system (In 1971-1982 fixed assets to the value of 1,658,000 lei were placed in operation, that is 75 percent of the fixed assets now in operation), and the formation of a comprehensive and diversified scientific research system for all sectors of the national economy.

The emphasis upon the qualitative aspects of development and the changed ratio between the extensive and intensive factors in economic growth are basic components of the process of constructing a highly efficient modern economy, of Romania's transition to a new stage of socioeconomic development, and of its approach to the economically developed countries. As Nicolae Ceausescu pointed out, "It must be said that although we have reached per capita levels of the basic products comparable to those in the economically developed countries or shall reach them in the next few years, there are still relatively wide gaps in some qualitative and effectiveness indicators and we must do all we can to close them as soon as possible." (2) The differences in labor productivity that still separate Romania from the developed industrial countries are 3-4:1, and the energy inputs per unit of national income are 2-3 times greater than in those countries. Note also that the contribution of the intensive factors to economic growth is greater, namely 53 percent in Norway, 54 percent in The Netherlands, 67 percent in Belgium, 68 percent in the FRG and about 75 percent in France, while it is considerably less in Romania (In the last three decades the ratio between the extensive and intensive factors has been 3:1). (3) Comparative analysis of the two kinds of growth reveals that extensive economic growth is encountering more and more limitations and restrictions in both natural and other resources and is becoming more expensive. The additional volume of fixed assets needed to increase the national income by 1 million lei rose from 2.3 million lei in the 1961-1965 Five-Year Plan to 4.5 million lei in the 1976-1980 Five-Year Plan. Furthermore economic growth by primarily extensive methods requires more time to convert the additional allocations out of the national income to new fixed assets. Intensive growth, on the other hand, is more efficient than extensive growth. The studies show that the specific investments needed to conserve the energy and raw material resources are about 3 times less than those required for a corresponding increase in production of fuel and raw materials.

The same is true of the requirements for active and effective participation in the world economic cycle, in view of the growing demands of the world market and increasing economic interdependence as well as the pronounced contradictory nature of development in the world economy and in international economic relations.

Of course the process of intensifying the economy involves the internal relationships and correlations of the reproduction process in each country. The way it is done and the methods and especially the level of implementation of the intensive factors fully affect the nature and effectiveness of participation in international economic exchanges. Meanwhile both the susceptibility to stress and the rapid evolutions of the world market or, on the other hand, the economy's ability to defend itself from the effects of negative developments in the world economy depend upon all the factors that determine the intensive character

of economic growth. This is illustrated by the fact that in the world economic crisis many industrially developed countries have intensified their efforts and policies to emphasize the qualitative aspects of economic growth by both reducing their dependence on crude oil imports and shifting the general ratio between economic growth and energy consumption, and also by improving product quality. A graphic example of this is provided by the fact that in the 1960's and 1970's the flexibility coefficients of the total consumption of primary energy and the gross national product were above 1 in most of the CEMA countries, but they are expected to be considerably below 1 in 1985-1990 (0.54 in the FRG, 0.85 in Austria, 0.58 in Belgium, 0.69 in Canada, 0.72 in Denmark, 0.90 in the United States, 0.76 in Japan, 0.50 in Luxemburg, 0.60 in The Netherlands, 0.62 in Great Britain, 0.59 in Sweden etc.). (4) The long-range forecast for Japan, for example, predicts a total energy saving of 12.1 percent in 1985 compared with 1977, one of 14.8 percent in 1990, and one of 17.1 percent in 1995. Moreover, what some countries often call "reindustrialization" today is actually an effort to restructure economic growth and to change the growth model.

Content and Characteristics of Intensive Development

The RCP regards the shift to intensive development as a far-reaching process including all areas of social reproduction, all sectors of the national economy and the activities of all its organizational structures. It is an integral part of the main objective of the current five-year plan, intended as a decisive factor for economic dynamism and an economic balance based on new correlations and proportions among sectors, among the factors for economic growth, and among the technical, economic, social and organizational aspects of productive activity on both the macroeconomic and microeconomic levels.

The present stage of socialist construction in Romania is characterized by major changes in the way social reproduction is implemented. The growing complexity of the objective interactions and connections of reproduction and the accentuated interdependences among its fields, among the economic sectors, and particularly among the technical, economic, ethical-educational and social-political factors in economic activity are basic to those changes. Menawhile the objective restrictions are becoming more pronounced and the role of substitutions among these factors is growing and thus multiplying the possible ways of meeting the demands of socioeconomic progress. Consequently the need of balancing and rationalizing economic growth on the macroeconomic and microeconomic levels is becoming most urgent, while more and more trends and countertrends are arising in the causations and interactions among the socioeconomic processes that must be determined and harmonized in order to direct and stimulate socioeconomic progress. Let us mention just the implications of exploitation of resources at lower depths or with contents poorer in useful substances, or those of the growing complexity of the production system in many sectors and subsectors of the national economy, affecting both the ratios between live and materialized labor and the social production outlays and investments.

Depending on the particular conditions, economic growth may be largely intensive as regards the "labor force-labor productivity" correlation but largely extensive from the standpoint of the "fixed assets-fixed assets effectiveness" ratio. And in judging the nature of economic growth we must also consider the existing ratio between the production increase and the consumption of raw materials and

energy, since extensive growth is characterized by coefficients above 1 or even around 1, while in intensive economic growth the effectiveness with which the resources are used increases more rapidly than their consumption and the flexibility coefficients (or the ratio between the consumption of raw materials and energy and the growth of the social product) go down.

Analysis of the economic growth in the last three decades from this viewpoint reveals that there was a major increase in the population employed in the national economy but social labor productivity increased much faster, accounting for 70-80 percent of the gain in industrial output and over 80 percent of the increase in the national income.

But this form of intensive development, firmly based upon conservation of live labor, necessitated increasing additional outlays of production means, so that the outlays of materialized labor on the necessary fixed assets showed major increases while the gain in national income obtained chiefly by conservation of live labor became less than the increase in the necessary production funds. In the last decade, for example, when social labor productivity as a ratio between the evolution of the national income and that of the employed population increased by 2.3 times, two periods can be distinguished with different evolutions of the analyzed correlation. In the 1971-1975 period, when social labor productivity increased by 1.6 times, the ratio between the evolution of the national income and that of the fixed assets was 1.08, while in the 1976-1980 period it was below 1 (0.92) and the amount of national income obtained per unit of material outlays, computed according to the indices of evolution of the national income and of the social product, increased by only 3.6 and 1.4 percent respectively. And with some exceptions, the proportion of the material outlays in the social product showed major increases.

Note that the ratios between the evolutions of these indicators heavily depend upon several important factors, among which the controlling ones are economic effectiveness and the intensity of the processes of industrialization and development and modernization of the technical-material base of society, in periods of intensive restructuring of the economy and production system on the basis of technical progress, accompanied by a more pronounced increase in equipment with fixed assets. And the past period in Romania was one of intensive modernization. If the contribution of the intensive factors is to be enhanced and a new developmental stage begun, this kind of reproduction must be surpassed, and it is to be done by conserving all the production factors and accentuating the general intensive character of the reproduction process, which includes conservation of both live and materialized labor as well as a more pronounced gain in effectiveness of the production funds, better product quality, and more profitable productive activity. That is the only way the growth rates of the overall economic effectiveness can overtake those of the resources used, while also increasing the contribution of effectiveness to the growth of the national income. This correlation is especially important in the present stage because the RCP regards the intensive aspect as a critical factor for growth of the national income and for achievement of the social purpose of economic development.

Accentuating the intensive character of reproduction means restructuring not only the ratios among the factors for economic growth but also the correlations among the economic sectors and the industrial ones especially, the proportions

of the use of the national fund for economic development for its two main purposes (building new production capacities and finishing those under construction or modernizing the existing ones), and the correlations among the main macroeconomic indicators, namely those between the evolution of the national income and that of the social product, between their evolution and that of the investments, between the evolution of labor productivity and that of technical equipment of labor, and between the structure of the production system and that of the use values and services with which society is provided.

Experience tells us, for example, that intensive development does not exclude the changes in ratios among the big sectors of the national economy, but the center of gravity of the structural-qualitative changes is within the economic sectors, especially the industrial ones, where the processes of modernizing the products and renovating the list of manufactures. Moreover the experience of the developed countries with heavily intensified production processes indicates that once the accumulation rate has been somewhat stabilized (of course not to the exclusion of some increases or reductions), nearly the entire volume of industrial investments consists of allocations to modernize the existing enterprises and to keep adjusting them to the new demands or trends of technical-scientific progress. Accordingly three-fifths to two-thirds of the industrial investments are used directly for new machinery and equipment, that is for the most active part of the fixed assets, upon which the technical equipment and productivity of labor directly depend. This also helps the enterprises and sectors to adjust to the changes taking place in the social need and in the domestic and foreign market demands. And finally intensive development, along with greater diversification of production and services to meet the general requirements of society and its members, is bringing about a steadier growth of economic effectiveness in all sectors and enterprises.

Transition to the primarily and generally intensive type of economic growth is a complex process that cannot be implemented all at once but by broad and gradual changes that call for a comprehensive approach on all levels of the national economy. It can be accomplished in stages or by comprehensive changes for the purpose of converting the qualitative and effectiveness factors into the main supporters of economic dynamism and growth of the national income. The process must begin with expediting the movement of the mass of live and materialized social labor and consequently of the resources consumed in the reproduction process by the evolution of economic effectiveness. For that purpose it is not sufficient to make labor productivity the main contributor to growth of production and the national income. The inputs of objects of labor must also be reduced, as well as the value of the means of labor per unit of national income in terms of both volume and value, and that requires a faster growth of labor productivity that that of equipment of labor with fixed assets as well as reductions in the material-intensity and labor-intensity of the social product. In general the analyses indicate that the shift from the extensive to the intensive type of growth, or from the partially intensive to the fully intensive type, requires reduction of the specific inputs of fixed assets, energy and raw materials per unit of production and of national income at rates faster than the growth rates of the total consumption of resources. Once established, the fully intensive type of economic growth makes it more possible to fall back, and even if situations arise thereafter in which the technical equipment of labor must be increased it is done against the general background of intensive economic growth and the other intensive factors counteract its influence upon effectiveness.

Under these circumstances the flexibility of the economic sectors and subsectors is increasing, changes are taking place in the division of labor and economic flows, and problems of redistribution of resources are arising as the economic growth rates for sectors and subsectors differ increasingly. In addition to intensive development of agriculture and the raw material and energy resoirces as main priorities of this and the next five-year plans, these changes are chiefly characterized by intensified exploitation of resources, development of the role of the critical subsectors in that direction, and promotion of technical-scientific progress.

The shift to intensive development accordingly requires a new and revolutionary view of the process of economic growth, a new attitude toward the factors in it, a new approach to management, advanced behavior on the part of all members of society toward resources, and a suitable system of organization and management in the economic and social-cultural units. In speaking of the tasks of improving all activity, Nicolae Ceausescu pointed out at the Working Conference of the RCP Central Committee of 7-8 February that "All this requires improvement of the working methods and approach from top to bottom and consolidation of the sense of responsibility, order and discipline in all units and sectors. Measures must be taken for a better assignment and use of personnel and for further improvement, in accordance with the decisions that we have, of occupational training, retraining, and the technical-scientific knowledge of all personnel." The economic decisions made in the plan on the level of the economy and on that of the economic units play a critical part in the shift to intensive development because it is in this stage that the level of economic effectiveness is determined as well as the course of action of those who are to implement them.

Courses of Action To Accentuate Intensive Growth

The Romanian economy's transition to intensive development determines all the main correlations of the National Plan for Socioeconomic Development and is based on a system of special programs discussed and approved by the National Party Conference and the Plenum of the RCP Central Committee in November 1983. These programs constitute a far-reaching and radical effort uniformly planned and conducted on the basis of a distinctive strategy and by ways and means in keeping with the present state of science and technology and of the Romanian economy.

More pronounced growth of social labor productivity plays a major role in this process as a key factor for economic dynamism and growth of the national income.

This indicator showed a high growth rate in the years of socialism and especially in the last three five-year plans. In 1965-1980 social labor productivity increased at an average annual rate of 8.5 percent. Nevertheless labor productivity is lagging considerably behind the economically developed countries and is not commensurate with the investments made in technical equipment of the national economy and especially of industry.

Thanks to the great efforts made in the last decade especially, the technical inventory of the national economy has been considerably expanded. In 1971-1982 the volume of activated fixed assets reached growth rates of 9.2 percent for the whole national economy, 11.3 percent in industry, 13.3 percent in construction,

8.7 percent in agriculture, and 9.7 percent in transportation and telecommunications. This evolution did not result in any corresponding growth of labor productivity, as the ratio of the evolution of labor productivity to that of the fixed assets was above 1 for only a short time and then dropped later. Taking 1970 as the base year, social labor productivity throughout the national economy per 1 percent growth of fixed assets was up 1.05 percent in 1975, 0.94 percent in 1980, and 0.83 percent in 1982. This indicator differed by sectors but its evolution showed a comparable trend, with the lowest ratios in construction and transportation. Growth of social labor productivity per 1 percent growth of fixed assets declined from 0.74 percent in 1975 to 0.48 percent in 1982 in industry, from 0.66 to 0.40 percent in construction, from 1.03 to 0.90 percent in agriculture, and from 0.89 to 0.43 percent in transportation and telecommunications. In all cases the evolution of social labor productivity was computed on the basis of the national income and the employed population.

A vital part in carrying out the National Party Conferences's decisions on this subject is to be played by the Program for More Pronounced Growth of Labor Productivity and Improved Organization and Standardization of Labor in 1983-1985 and on to 1990, which by the planned methods, measures and actions is to double labor productivity in industry, construction-installation and agriculture, with more pronounced gains in the industrial processing sectors and the state agricultural enterprises.

As indicated in the party documents, more pronounced growth of labor productivity is to be obtained not by intensified labor but mainly by consistent promotion of technical progress and expansion of mechanization, automation, and modern manufacturing technologies. It is interesting to note that the proportion of those critical factors will increase in the next few years from 52 percent in 1985 to 55 percent by the end of this decade.

But it must be pointed out that in the present stage the non-investment factors of complete use of production capacities, rationalization of manufacturing flows, proper placement of sections, shops and equipment, and regularity of production should be making a greater contribution to growth of labor productivity than in the last stage.

To the same end, far higher standards are also required for qualifications of the labor force, improvement of occupational training, and labor discipline and organization. Both production organization and standardization and organization of labor must be dynamic, reflecting the changes taking place in the technical and technological conditions of production and adjusting to the demands of the modern production system.

As it has been pointed out in the technical literature, the comparative analyses and calculations concerning the provisions of the program indicate that the levels of labor productivity in terms of volume for a number of basic products in the next period and on to 1990 will closely approach, equal or even exceed the levels reached by comparable enterprises in such industrially developed countries as Italy, Great Britain, France, the United States, the FRG, the Netherlands, Czechoslovakia et al. These products include 2,100-horsepower diesel-electric locomotives, synthesis ammonia, pyrolysis ethylene, caustic soda (electolysis), polyvinyl chloride, bulk furniture, knits of wool and wool-type threads, pulp, paper, large reinforced-concrete panels for dwellings, etc. (5)

Intensive development and high effectiveness are inconceivable today without technical and qualitative improvement of the products and better use of the material and energy resources. Accordingly the Program for Technical and Qualitative Improvement of Products, Reduced Consumption of Raw Materials, Fuels and Energy, and Better Use of Raw Materials and Materials in 1983-1985 and on to 1990 is one of the most important programs for carrying out the decisions of the 12th Party Congress and for a new quality in all activities.

The program treats the quality problems in a modern and complete way, in the light of both the operational, structural and reliability characteristics of the products and their economic ones (in puts, productivity, costs, degree of use of raw materials, and effectiveness for export), so that their quality will secure a higher use value with minimal outlays.

This concept has great theoretical and practical significance for intensive development in the present stage. It calls for elimination and prevention of the situations in current practice where the increased outlays on new equipment required by the additional consumption of social labor for planning, design, assimilation and production are not always exceeded by the gain in labor productivity and general efficiency obtained by using the new equipment, so that the latter made every product more expensive for the user than the equipment previously in use did, or the cost was greater at times than the saving made by lowering the input of live labor.

The program includes the following uniformly determined objectives: general qualitative and technical improvement of the products in order to keeping raising the proportion of the products that are up to world standards while a certain percentage remain above them; greater competitive power for exports; expanded mechanization and automation in all industrial sectors; lower specific consumption of raw materials, energy, fuel and materials; better use of all raw materials and materials; and more efficiency in the whole activity. The degree of use of raw materials and materials is to be up 29.5 percent in 1985 from 1980, about 41 percent by 1987, and 64 percent in 1990.

Upon considering the way product quality is controlled and in view of the fact that its improvement is vital to Romania's entire economic development (for both export production and supply of the domestic market), the Political Executive Committee of the RCP Central Committee recently pointed out the great importance of improving the professional qualifications of workers, craftsmen and engineers in addition to the technical and organizational measures. It was determined on this occasion to draft a special decision covering tasks and measures to improve quality and especially the qualifications.

Reduction of production costs and especially of material outlays is a basic component of intensive development, both as a level per unit of output (or per 1,000 lei of commodity output) and as a proportion of the social product, on the level of the economy and in the gross outputs of the sectors. The effects of this factor upon the changed ratio between the extensive and intensive factors in economic growth are many, from a more pronounced gain in the newly created value and the commodity output that can be obtained with the same raw material and energy resources to relative reduction of the investment requirement for the respective extractive sectors or of the foreign-exchange requirement if it is a matter of imported material resources.

Of course the change in the prices for raw materials, materials and energy and for machines and installations as well on both the domestic and foreign markets has a major effect on the proportion of material outlays. Therefore a more accurate picture is conveyed by using the physical indicators, such as consumption of basic raw materials (metal, petroleum etc.) or of fuel, electric power and the like per 1 million lei of national income (And there the prices have a certain effect).

But if the share of the material outlays in the social product or in the gross output is considered over a longer period and in connection with the other factors of economic growth, valid conclusions can be drawn, in the nature of characteristics, concerning the extensive or intensive type of economic development. Moreover, the very analysis of the data on Romania shows the rising trend in the proportion of the material outlays, with some exceptions, over longer periods whether the national income and the material outlays are expressed in comparable prices or in current prices. This has characterized both the overall reproduction process, where the respective proportion increased from 48.8 in 1950 to 51 percent in comparable prices or 56.9 percent in current prices in 1965 and to 59 percent in 1980 (Statistical Yearbook of Romania, 1981, page 99 and the one for 1983, page 45), and the reproduction processes of the main sectors of the economy. Because of the complexity of this indicator and the great many factors determining the level, structure and evolution of the material outlays, the increase in their proportion in the social (gross) product does not always indicate a decrease in economic effectiveness on the macroeconomic level, just as the reduction of that proportion does not always mean that economic effectiveness is increasing. Therefore the change in the proportion of the material outlays due to structural changes in social production must be distinguished from the change in that proportion due to relationships formed among the production factors and to the way the objects of labor and the energy sources are actually used and exploited.

Therefore in order to determine the effect of the material outlays on effectiveness we must ascertain what the factors are as well as the main categories of objects of labor that are raising the proportion of material outlays. We must bear in mind, among other things, the contradictory effects of such an intensive process as increasing labor productivity, which not only conserves social labor but also enables live labor to process greater quantities of raw materials and convert them to finished products within the same unit of time. While active promotion of technical progress in some important sectors reduces the outlays of live labor faster than the specific inputs of objects of labor, some high growth rates of labor productivity increase the proportion of the material outlays in the gross output of the sector, although the total outlays have been reduced with a resulting gain in economic effectiveness. Similarly, a more pronounced gain in labor productivity in the sectors producing raw materials (the extractive industry or agriculture) may necessitate increased equipment of their labor with technology and electric power, but if this increase contributes to a more pronounced reduction of the social production outlays of the objects of labor supplied by these sectors, it can be a factor countracting the rising trend of the material outlays in the processing sectors even if they are processing ores that are poorer in useful substances or deposited in more difficult locations. And note that a more intensive growth of labor productivity in the sectors producing raw materials can lessen the effect of exploiting some poorer or less accessible resources.

What is more, it may be said that the level of the material outlays, including their proportion in the social product, depends on the developmental level of the productive forces and on the whole structure of the national economy. The higher the level of economic development is and the greater the proportion of the the highly technical and complex sectors is, the lower is the proportion of the material outlays, because better correlations are obtained between the material outlays and the newly created value.

The analyses indicate that from a longer-range point of view the extensive type of reproduction is characterized by a higher proportion of material outlays in the social product, since that depends particularly on the marked change in the social production structure, the shift from manual to mechanized labor, the development and expanded specialization of the division of labor, and also the growth of labor productivity faster than the reduction of the consumption norms for the raw materials and energy per unit of output.

The shift to intensive economic growth first stabilizes the proportion of the material outlays in the social product and then lowers it. A critical part is played here by the following essential qualitative factors: improved manufacturing equipment and technologies and reduced consumption of objects of labor; improved quality of the raw materials and materials; more pronounced production increases in the sectors consuming less raw materials and energy and more intensive exploitation of them, etc. This makes it possible for the rate of conservation of materializaed labor through reduction of the material outlays per unit of output to overtake the rate of reduction of live labor consumption resulting from the gain in labor productivity and to lower the proportion of the material outlays in the value of the output and in the social product accordingly. Although the processes appear nowhere in pure form, that is the mechanism whereby the proportion of the material outlays has been reduced in many developed countries or at least in their most efficient sectors, and it is lower today than in the countries that are in the process of industrialization. Contemporary technical progress is opening up extensive possibilities for conserving both live and materialized labor by more pronounced reduction of raw material and energy inputs. In Romania the proportion of the material outlays in the social product was much higher than in the developed countries, amounting to 62.6 percent in 1982 for the whole economy, 66.5 percent in industry, 67 percent in construction, 53.7 percent in agriculture, and 51.1 percent in transportation.

The present level of the technical-material base and of research work and the more pronounced promotion of contemporary technical progress along with industrial restructuring permit a reversal of this trend and a reduction of the proportion of the material outlays to 56-57 percent, with the most favorable effects upon effectiveness and the intensity of economic growth.

The special program approved by the National Party Conference to cut costs and material outlays calls for additional savings of more than 90 billion lei in 1983-1985, over two-thirds of which will be saved by reducing material outlays.

There can be no better way of accomplishing this aim than modernizing production by expanding technical progress. In speaking of this requirement and the ways of meeting it, Nicolae Ceausescu pointed out at the Plenum of the National Workers Council in December 1983 that "We must make the most determined effort to

carry out the programs to modernize production and reduce the weight of products in order to meet world standards and to be able to compete on the world market. Reducing weights, conforming to the prescribed parameters, and taking practical measures for redesign and manufacture of new products of lighter weight in all sectors are vital considerations both for competing on the international markets and for reducing the material inputs."

The series of ways and means specified in the Program for Technical and Qualitative Improvement of Products will lead to reduction of material outlays throughout national industry by 80.9 lei per 1,000 lei of commodity output by 1985 and by about 133 lei by 1990, with greater savings to be made in the highly technical sectors and subsectors.

The greater contribution of the intensive factors necessitates more intensive use of productive capital and fixed assets especially, in all sectors of the national economy. That is the most apparent and also the most important form of exploitation of the strong technical base created by the extensive investment programs and by development and modernization of the production system, and it will result in more pronounced growth of the net and commodity outputs and of the national income. In the last decade the average annual rate of renovation of fixed assets was 10-11 percent for the whole national economy and 11-12 percent in industry, which indicates how modern the production system is and heightens the responsibility for its complete and most efficient use.

This factor's contribution to economic growth in the present stage is illustrated by the fact that a 1 percent increase in the use index of the fixed assets is equivalent, in industry, to an additional commodity output of 8 billion lei and a net output of 3 billion lei and, on the level of the national economy, to a national income of more than 5.7 billion lei, to obtain which an additional accumulation of about 3 percent would be needed. That is why the party secretary general pointed out at the National Party Conference that "In supplying the enterprises with machinery and equipment we shall proceed from the use index of the existing machines, and we shall not permit supply of new ones until maximum use is made of the existing resources and capacities." (6)

These courses of action form an integral whole, and it is only in their unity and interaction that they accentuate the intensive character of the reproduction process. This idea is basic to the RCP's conception of economic development in the present stage, and it counteracts any one-sided treatment and calls for reconsideration of the approach to economic growth so that rationalization of economic activity in all enterprises and sectors will be based on comprehensive indicators and correlations of effectiveness throughout the whole activity from the planning stage on. It requires elimination and prevention of the situation in some enterprises or even sectors where production and labor productivity have been increased by means of a greater increase in fixed assets when that increase is not exceeded by the evolution of the net output and national income.

Note that the economic analyses in the economic literature have not sufficiently stressed the fact from the theoretical point of view that disregard of some objectively necessary correlations, especially those between the evolution of labor productivity and that of the technical equipment of labor, has a bad effect upon other effectiveness indicators as well, particulary the evolution of the

material outlays. For instance if the effect of the price changes is disregarded, the proportion of the material outlays in the social product shows a tendency to stabilize or even to decline under some circumstances in the periods when the growth rate of equipment with fixed assets is exceeded by the growth of social labor productivity or they are very close and the ratio of evolution of the national income to evolution of fixed assets is above 1 or they are very close. On the other hand, when the evolutions of these indicators do not conform to the laws of growth of effectiveness, the evolution of equipment with fixed assets being more pronounced than the evolution of productivity while growth of the national income is slower than that of the fixed assets, the proportion of the material outlays in the social product shows a tendency to increase. And we must not forget that because the main contributor to increased labor productivity is technical progress, which objectively necessitates increased technical equipment of labor, the latter may also be accompanied by a greater demand upon the accumulation fund.

Accordingly in the present stage the emphasis upon the intensive aspects requires a greater role and degree of use of the productive capacities and especially a more pronounced improvement in the effectiveness of the fixed assets. Furthermore there are sufficient grounds for concluding that in the present stage more pronounced development of the net effectiveness of fixed assets, in the form of a more pronounced increase in the newly created value per 1,000 lei of fixed assets (as stipulated by the 12th Party Congress), by means of optimal correlations between technical outfitting and labor productivity and between the evolution of the national income and that of the fixed productive capital plays an important part in the process of increasing economic effectiveness and in accentuating the intensive character of socialist reproduction. A provision of the Program for More Pronounced Growth of Labor Productivity that is fundamentally important in this respect specifies that the enterprises will be supplied with machinery and equipment depending on fulfillment of the use index of the existing machines, and every enterprise must regularly check its output and profits per 1,000 lei of fixed assets. This correlation is to be considered in all decisions made in enterprises concerning both their investments and their economic activity as a whole.

Questions of economic effectiveness and intensive economic development loom large in the study of political economics and in scientific research as well. Considerable improvements have been made in the programs and textbooks, and the problems of effectiveness have expanded and their theoretical treatment improved on that basis, in keeping with the standards formulated in the party documents and in Nicolae Ceausescu's works.

In the future we think this activity should be improved in the following respects: fuller treatment of the role and content of resources in economic growth in classes and seminars; more extensive treatment of matters of economic effectiveness in agriculture, especially in connection with the new agrarian revolution and sure and stable yields in agriculture; development of the role of seminars on the contributions of the intensive factors of economic growth; and fuller treatment of the theoretical and practical problems of intensive development in research work. Education and teachers must make a greater contribution to scientific research in this field, and the economics departments and those of sectorial economics must cooperate more closely in scientific research on intensive economic development.

FOOTNOTES

1. Nicolae Ceausescu, "Report to the National RCP Conference, 16-18 December 1982," Political Publishing House, pp 13-14.

2. Nicolae Ceausescu, "Romania on the Path of Building the Fully Developed Socialist Society," Vol 18, Political Publishing House, 1979, pp 595-596.

3. See "Extensive-Intensive Relation in the Process of Economic Growth," ERA SOCIALISTA, No 15, 1983, p 14.

4. "L'OBSERVATEUR DE L'OCDE," No 101, November 1979.

5. See "Growth of Labor Productivity in the Light of Romania's Transition to a New Stage of Development," ERA SOCIALISTA, No 23, 1983, p 17.

6. Nicolae Ceausescu, "Report to the National RCP Conference, 16-18 December 1982," p 25.

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INCREASED INTERNATIONAL ECONOMIC COOPERATION PLANNED

Bucharest ERA SOCIALISTA in Romanian No 9, 10 May 84 pp 28-31

/Article by Dr Eugen Dijmarescu: "Ways of Intensifying International Economic Cooperation"/

/Text/ In the last four decades, and especially since Nicloae Ceausescu became the RCP's leader in 1965, Romania has been making a consistent effort to further economic collaboration and cooperation with and among all states of the world regardless of their levels of economic development or social systems. This policy is based on the need of supplementing internal efforts, which are a critical factor for every country's progress, with the advantages of active participation in the international division of labor and the world exchange of material values. The RCP and its secretary general regard extensive development of exchanges, unrestricted by barriers of any kind and on a new basis of full equality and justice, as both a major requirement and an important component of the new international economic order.

The Romanian party and state proceed from the objective fact that the role of economic and technical-scientific collaboration in all countries' development has grown remarkably in our time. Without active participation in the world economic cycle no country's material and financial needs or its requirements for socioeconomic progress can be met, especially under contemporary world conditions, when international interdependence has shown an unprecedented increase, the technical-scientific revolution is in full development, and the international division of labor is constantly gaining ground. The full and unrestricted development of foreign trade and economic relations is expected, moreover, to help in reducing and finally ending the international economic gaps and the chasm between the rich and poor countries, in overcoming underdevelopment and in accelerating the progress of all countries and especially the developing ones. Meanwhile institution of mutually advantageous and lasting economic relations based on equality and justice among states differing in size, potential and social order can help considerably to create a climate favorable to rapprochement and confidence among peoples and to worldwide security and peace.

Increased interdependence and the existence of a single world economy do not mean any impairment, to be sure, of the sovereign states' role. On the contrary,

they call for the existence and development of independent and sovereign national economies that are alone capable of assuming the responsibilities and functions of international economic collaboration in accordance with their own interests and with the requirements of worldwide peace and progress as well. The RCP regards the national states with their independent economies as the fundamental reality of contemporary society and the basis of its development. Viewed in this light, participation in the international division of labor is a manifestation of the peoples' sovereign will reflecting their basic options for economic and social development in keeping with their vital interests.

Participation in the international division of labor and in the whole series of exchanges going on in the contemporary world economy is an objective process affected by the characteristics of the international economic relations existing in a given historical period and by the factors determining the nature and forms taken by those relations. This effect may be beneficial or in other cases it may have bad consequences unfavorable to development of the national economies and of the world economy as a whole.

At present the states' participation in the international economic cycle is particularly affected both by the revolution taking place in science and technology and by the essentially protectionist character of the trade policies practiced by some heavily industrialized states.

By its nature and scope, the contemporary scientific-technical revolution is a stimulus to international economic relations. Development of production technologies and those for management and control of industrial processes, the spread of microelectronics and biotechnology, and the creation of technologies for use of alternative energy sources and for better use of raw materials are, along with many others, fields of major interest for any national economy trying to enhance its efficiency and competitive power. The characteristics of the contemporary process of technological innovation and development, which is focused on modernization and rationalization of fixed assets and on growth of labor productivity, call for the states' increasing participation in the creative scientific and technological effort and in the international exchange of material and intellectual values (licenses, patents, know-how) resulting from that creative effort. We can conclude that in the present period the role of science as a productive force is redoubled by its role as a promoter of international trade, and the segment of peak technology is proving the most dynamic one in the structure of international economic exchange.

Participation in the world economic cycle is a process characterized by the confrontation of two trends, namely the wish of a growing number of states to take an active part in the world economic cycle and the appearance of neoprotectionist policies raising a whole series of tariff and nontariff barriers intended to burden or hinder cooperation and to preserve a certain industrial structure of the world conflicting with the aims of the majority of peoples as well as the relations and mechanisms peculiar to the old international economic order.

The pronounced occurrence of some acute crisis phenomena in the world economy in the last decade has contributed considerably to the aggravation of the international situation and to the deterioration of collaboration among states, a fact attested, among other things, by the drop in the volume of international trade.

Against the background of the world economic crisis the obstacles to the normal development of the international exchanges have been multiplied, effective non-tariff barriers have been raised in the form of quantitative and discriminatory restrictions, and new forms of import control through so-called "arrangements to regulate the market" or "agreements for voluntary limitation of exports" are being introduced. They are also factors that have aggravated the worldwide economic gaps, the crisis in international trade, and the confrontations among various states and groups of states. In its present forms protectionism affects the developing countries' exports first and most seriously, undermining their efforts to escape from underdevelopment and to advance on the path of economic progress in general. These developments have heavily accentuated the necessity of the struggle to base international economic exchanges on new principles of equality and justice, to do away with the old inequitable economic relations, and to establish a new international economic order.

In this spirit Romania is militating consistently (within the UN General Assembly, UNCTAD, ECE and other international organizations and bodies) to put an end to the protectionist policies that are limiting the possibilities for development of economic exchanges and worldwide economic cooperation, to institute free and equitable trade, and to abolish any discriminatory practices and any political or other conditions restraining world trade. Romania accordingly maintains, along with the other member nations of the "Group of 77," that the developed countries must agree not to introduce new restrictive measures and to abandon trade practices incompatible with their international commitments. In order to accomplish this major and immediate aim, Romania has proposed the elimination, on a precise schedule, of any restrictive measures prejudicial to the developing countries' interests and those of the world community as a whole. The developed countries must also make the necessary adjustments to facilitate export of the developing countries' industrial products, to improve the generalized system of preferences and to apply it consistently and without discrimination.

At this year's session of the ECE, as on many other occasions as well, Romania militated to the end that there would be no bars under the present circumstances but, on the contrary, every effort to expand unrestricted multilateral collaboration among all states and stressed the emphasis that should be placed on increased efforts to apply in practice the provisions of the final document of the Madrid meeting concerning cooperation in the fields of economics, science and technology. In this connection Romania pointed out the need of more intensive industrial cooperation and scientific collaboration in the agricultural sector and of specific measures to promote better forms of cooperation such as mixed companies and joint projects on third markets, especially in the peak fields of industry, as well as Romania's wish to play an active part in international economic cooperation and to determine the most appropriate ways of augmenting and expanding this activity with all states regardless of social system.

Romania also made several specific proposals to lower the exorbitant interest rates charged by the western countries and the international companies and banks and to lighten the burden of debts weighing more and more heavily upon the developing countries and impairing their ability to participate effectively in international economic cooperation and collaboration. Nicolae Ceausescu said, "We have just seen another rise in interest rates, which will create a very serious

situation for the developing countries. It is clear that only a radical measure that will place economic and financial relations, including the credit and interest policy, on a new basis can stop the further deterioration of the poor countries' position."

Guided by the demands of Romania's accelerated socioeconomic development in step with the trends of contemporary progress, the RCP is wisely promoting a policy for Romania's increasingly extensive participation in the international economic cycle and its active participation in the process of expanding collaboration on many levels with all peoples, considering that such a policy also makes a considerable contribution to the effort to overcome the difficulties caused by the world economic crisis and to consolidation of world peace and security. Romania firmly bases its relations of economic collaboration and cooperation with all states, regardless of social order or developmental level, on observance of the principles of national sovereignty and independence, noninterference in internal affairs, mutual benefit, and abstention from the use or threat of force.

The new stage inaugurated by the Ninth RCP Congress in Romania's entire socioeconomic development has also been strongly marked by its participation in international economic affairs, and here too the decisive part has been played by Nicolae Ceausescu, who has been firmly guiding Romania toward an increasingly broad and intensive involvement in the world division of labor. As the RCP secretary general pointed out, "Without taking an active part in the world division of labor and without promoting an extensive exchange of material, technical-scientific and cultural values with other peoples, we cannot secure the construction of an advanced society, as socialist and communist society must be." Accordingly in the last two decades especially, the effort has been made to expand and diversify the geographic area of Romania's bilateral relations while extending its participation in the activities of the various international economic organizations. This is graphically illustrated by the fact that Romania now maintains economic relations with more than 150 countries and is an active member of all the economic organizations in the UN system and of many other nongovernmental international economic organizations as well.

An extensive and diversified foreign trade in full accord with the needs and developmental level of the national economy is the main objective of the Romanian party and state policy on foreign economic relations. This profoundly scientific policy is implemented by correlating the internal factors with the external ones by ways and means suited to each stage of the developmental process. Foreign trade supplies the national economy's requirement for raw materials, machines, installations and equipment with which to implement investment projects as well as the public's requirements for consumer goods. Meanwhile a part of the material output is sold on the international market via the export trade, which also provides the financial resources needed to pay for the imports.

In keeping with the world trends toward improvement of the forms of collaboration among states, economic, industrial and technical-scientific cooperation has become a regular component of Romania's foreign trade activity in the last two decades. The superiority of this form lies in the fact that it establishes stable and lasting relationships between the partners, which in itself is a striking indication of the economic interdependence among states. Machinery, equipment, installations, materials and construction-installation projects are

delivered through cooperative programs that amounted to 29.7 percent of the 1983 export volume.

The importance of foreign trade activity in Romania's national economy is also indicated by the continuing emphasis place on improving the efficiency of the mixed governmental commissions for economic and technical-scientific collaboration and on extending and improving legislation on trade exchanges and economic cooperation in production. In fact, 127 new accords, conventions and agreements on these subjects were concluded in 1983.

Romania's policy of developing its foreign economic relations emphasizes expanded and more intensive collaboration with all the socialist countries, an emphasis objectively determined by the very nature of the social system and by Romania's vital economic and political interests. The Romanian party and state regard wide-scale promotion of economic, scientific, technical and cultural collaboration with all socialist countries, especially the neighboring ones, as a vital factor for the accelerated all-around progress of every socialist country while also serving the general cause of socialism. The firmness with which Romania is acting to develop and strengthen friendship, collaboration and solidarity with all socialist countries has been clearly pointed out several times by Nicolae Ceausescu, who said, "Without exception, Romania's relations with the socialist countries form a single whole basic to Romania's principled, firm and consistent policy of consolidating all socialist countries' unity and furthering socialism's power and influence in the world."

Throughout the last four decades the socialist countries have been the chief partners in Romania's foreign economic collaboration. Their priority is illustrated, among other things, by their highest proportion in the total volume of Romania's foreign exchanges, amounting to 53 percent in 1983.

Alongside the steady development of Romania's trade relations with the socialist countries, a wide variety of forms of economic and technical-scientific collaboration with those countries has been instituted, diversified and perfected. Actually, specialization and cooperation in production have been widely expanded in Romania's collaboration with all the socialist countries in the last decade and have become favorable factors for application of reciprocal trade exchanges and formation of advanced export and import structures.

The RCP feels that Romania's participation in CEMA activities should also be specially emphasized. As Nicolae Ceausescu said at the March 1984 Plenum of the RCP Central Committee, we must further develop collaboration with the CEMA countries and take an active part in improving collaboration and cooperation in CEMA so that it will meet the new requirements and secure the development of socialist construction in our countries and their more extensive participation in the international division of labor. In pointing out the need of improving that body's activity in keeping with each national economy's needs and the radical changes in the world economy, Nicolae Ceausescu said, "At this point we must concentrate on finding ways to better meet the member countries' needs for energy, fuel and raw materials and on bringing about specialization and cooperation in production in order to make more complete use of the created production capacities and to lower the investment outlays in any given sector. We think the CEMA countries have every opportunity to solve their energy and raw materials problems as well as those arising in agriculture and technology."

Among its efforts to expand and diversify its international economic collaboration and cooperation, Romania attaches great importance to development of trade with the developing countries and further economic cooperation with them in the form of joint actions to accelerate each country's socioeconomic progress. As a developing socialist country and a member of the Group of 77 since 1976, Romania is tied to the other developing countries by similar interests and common aspirations, regarding strengthened cooperation among these states as a major aim that can help to further the process of eliminating underdevelopment and the gaps between nations and constructing a new international economic order.

In keeping with basic considerations of Romania's foreign economic policy and on the basis of mutual interests, all-around collaboration with the developing countries has been distinguished by its superior development in the last two decades. The value of Romania's trade with these countries increased by about 5 times in 1960-1970 and by about 15 times in 1970-1980. Their share in Romanian foreign trade rose from 8 percent in 1970 to about one-third at present. It is significant here that in 1983, for example, 28 of the 54 new accords or agreements for technical-scientific cooperation and collaboration that Romania concluded with other states were with developing countries.

At the same time and in the spirit of peaceful coexistence, Romania is promoting development of balanced, mutually advantageous economic exchanges with the developed capitalist countries, some of which are traditional partners of Romania's. As the party secretary general said, "In Romania's relations with all states of the world, we proceed from the fact that differing social systems and political or philosophical ideas should not be a bar to extensive international cooperation based on equality, respect and mutual benefit." On this standard, Romania is staunchly militating for abolition of any restrictions or discriminatory measures interfering with economic exchanges and of attempts to use economic ties as means of political pressure and interference in other states' internal affairs. And in order to encourage economic exchanges and international trade as a whole, Romania is taking a firm stand against the western policy of high interest rates and in favor of charging reasonable rates and of more stable rates of exchange for currencies used as means of payment in international economic exchanges.

On the basis of a thorough scientific analysis of the international conditions wherein Romania has been operating since the 12th Party Congress, the National Party Conference of December 1982 assigned a series of tasks and measures to e pand and improve foreign trade activity and international economic cooperation in order to make all socioeconomic activity more efficient.

In the light of the objectives of the current five-year plan as well as the great complexity of the present international conditions, the National Party Conference clearly defined the major aims of foreign trade in the present period. In this connection Nicolae Ceausescu pointed out in a report to the National Party Conference that special emphasis must be placed on achieving balanced economic exchanges, which will help both to increase the volume of Romanian foreign trade and to create the necessary conditions for gradual settlement of the foreign debt.

In order to accomplish this main objective of foreign trade, the National Party Conference ruled that exports shall be increased more intensively than imports

and imports shall be reduced henceforth to those needed for the efficiency of the production processes.

The aims of the current five-year plan and particularly those of the Uniform Nation Plan for Socioeconomic Development for 1984 make exports a priority for all activities. As the party secretary general said at the Working Conference for Analyzing Activity in Industry and Investments and Finding Ways To Best Implement This Year's Tasks, "Without adequate exports we can perform no regular production activity." In order to accomplish this task firm measures are needed on the level of every enterprise with export tasks and on that of the foreign trade enterprises for quality production for export according to the contractual deadlines and terms and also for coverage of the plan tasks with export contracts. As Nicolae Ceausescu has repeatedly pointed out, the objectives of the export plan must be considered minimal, and it is a patriotic duty to manufacture the export output well and according to all parameters. As the party secretary general said on this subject, "It is only on the basis of orders for exports that we can overfulfill the plan without limit. Therefore we cannot do it unless we have orders. Accordingly the production plan cannot be overfulfilled unless we provide for additional exports."

Fulfillment and overfulfillment of the production plan first require manufacture and promotion on the foreign market of better-processed products that will make maximum use of raw materials and the creative capacity that is critical to the greater competitive power of Romanian goods. As the party secretary general pointed out at the March Plenum of the RCP Central Committee, more emphasis must be placed on better use of raw materials and materials, so that in the present international economic situation we can market abroad only highly technical products of good quality that can compete with the best comparable products on the world markets. That is why the Program for Technical and Qualitative Improvement of Products, Reduced Consumption of Raw Materials, Fuels and Energy, and Better Use of Raw Materials and Materials in 1983-1985 and on to 1990 (approved by the Plenum of the RCP Central Committee in November 1983 and by the Grand National Assembly in March 1984) stipulates that the quality of a certain percentage of the Romanian economy's products shall be kept above the current world level so that the competitive power of Romanian exports will continue to grow.

Meanwhile the export objectives and the further development of the Romanian economy demand greater cooperation in production, primarily with the socialist countries but also with other states or firms and companies, on the basis of long-term agreements enabling us to recover our investments in cooperative production from the resulting exports. In pointing out the importance of foreign economic cooperation, Nicolae Ceausescu told the March 1984 Plenum of the RCP Central Committee that Romania should continue this activity consistently, that it should be not only unrestricted but, on the contrary, expanded and intensified, and that the most appropriate methods should be determined.

If these ends are to be accomplished, it is essential to consistently implement the measures provided by the new legislation on foreign trade activity in Law No 12 of 1980 strengthening workers self-management and economic-financial and foreign-exchange self-administration in foreign trade and international economic cooperation and in the decrees of the State Council approved in 1983 encouraging producers to meet and exceed their export outputs and personnel in foreign trade units to make their activity more efficient.

The objectives of international economic collaboration and cooperation require concentration of the efforts of the foreign trade enterprises and of all units producing export commodities upon improvement of their work as an essential requirement for greater efficiency in this activity.

It is highly important to provide for a direct correlation between the managements of enterprises delivering export goods and the results obtained by marketing the respective products abroad. Strengthening this correlation encourages efforts to produce and deliver the goods in the quality, time limits and packaging that will enhance the competitive power of the exports with direct results as to their effectiveness. The same purpose is served by consistent application of self-management and economic-financial and foreign-exchange self-administration to the activity of the foreign trade enterprises, so that they will step up the profitability and efficiency of their operations.

The party organizations and collective management organs have greater tasks to increase export production, as well as all the workers in those units. The responsibility that must be shown in specializing factories, sections or manufacturing lines, including the subsupplier units, for export production as the necessary technical-material base and manpower are being procured at the same time is a critical factor in the manufacture of highly competitive export products. Meanwhile it is the duty of the workers in foreign trade enterprises to cover the sale of the entire output on the foreign market with contracts and to see that the terms specified in the export contracts as to quality, technical level and delivery are met precisely by the producer units.

In order to accomplish these important tasks, the party organizations are required to take firm measures to raise the ideological and political level of all workers performing activities in connection with foreign trade and to develop their socialist awareness and every worker's sense of responsibility. It is the task of the collective managements, in this connection, to staff the respective units with suitable personnel with high professional, moral and political qualifications who will spare no effort to attain the goals set by the party leadership. Constant improvement of occupational and ideological training and knowledge and strict observance of the state's laws are high political obligations. The current and long-range tasks of foreign trade require all workers in this field to display a high sense of responsibility for the good management of the people's socialist wealth and a spirit of strict discipline and order, to know exactly what their responsibilities are, what society requires of them, and how they are to act, and to be thoroughly prepared in all respects to perform their assignments properly, responding in that way to the confidence placed in them by Romanian society and by the entire people.

5186
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ECONOMIC PRODUCTION, DEVELOPMENT PLANS FOR 1985 DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jun 84 p 2

[Article by K. Sekulic: "Production Is the Foundation and Points the Direction"]

[Text] Experience in recent years has taught us that under the present problematical conditions for the conduct of economic activity it is a thankless task to forecast the potential for development, even for a quite short period of time. Usually the predictions of the planners are belied in practice by shortfalls in many sectors because of various objective and subjective circumstances. It is in that context, then, that we should look at the first assessments which have now been made of the potential for development in 1985 and which have been presented in a separate section of the "May Analysis," the discussion of which has begun in the Socialist Alliance and Economic Chamber of Yugoslavia.

There is, of course, no dispute about the basic tasks of development--the goals which should be striven for, since they have been derived from the Long-Range Stabilization Program and its accompanying documents. That is, all those tasks foreseen and subsequently elaborated in the separate sections of this document were also contained in the analysis already mentioned, along with certain quantifications which have yet to be discussed. There is no dispute, then, that the basic goals of development are again in the coming year the invigoration of production, the augmentation of exports, especially to the convertible area, and thereby a growth of the inflow of foreign exchange, straightening out relations on the market, and conducting a vigorous social welfare policy, along with specific measures to protect the standard of living.

"Old" Tasks

These tasks are, of course, accompanied by those other tasks such as raising labor productivity and saving on resources, which ought to be the basis for a livelier and more stable economic pace. There are several other obligations imposed by the orientation long ago adopted to rely more on our own resources, which makes it imperative to improve utilization of all capacity, worktime and other internal potential.

It is also certain that the results to date in invigorating production, which was a growth in May of 6.8 percent, "assures" us that it is after all on an upward climb in spite of all the difficulties, were in fact the basis of the planners' optimistic forecast. We are referring first of all to the estimate that in 1985 industrial production could increase between 3 and 4 percent and agricultural output 2-2.5 percent. The bases of this estimate are the anticipated rise of productivity, for which no quantifications were given, along with a rise of about 2.5 percent in employment. Under those conditions it is possible, specialists of the Federal Bureau of Social Planning believe, to also increase the social product of the entire economy by 2 to 3 percent.

As for exports, the estimate is that they could be increased about 18 percent over the estimate for this year, and those to the convertible area a bit more--about 20 percent. In specific terms this means that we would export goods worth at least $13.5 billion and realize an income of about $4.7 billion from services. This is the basis for the prediction that we can expect a surplus of about $1.8 billion in the balance of payments.

One of the goals of development is also halting the drop in the real volume of investment in fixed capital, along with a faster growth of economic investments. Translated into numbers, that means that a growth in the real volume of investments in fixed capital of about 2.5 percent could be achieved, and in the socialized sector it would be about 2 percent. Here the real volume of economic investments would grow at a rate of 3 percent and investments in housing construction would be higher than 3 percent. Noneconomic investments would drop in real terms about 12 percent, which would create more room for investment in priorities, above all to complete projects in the fuel and energy and raw materials sector, food production and the export economy.

Jobs for 370,000 People

We have already said that the point of departure was a 2.5-percent possible rise of employment, so that unemployment would begin to drop. These rates also signify an expectation that there would be jobs for 370,000 persons, which includes creation of new jobs for 160,000 persons, and the other 165,000 would be employed to fill vacancies created by so-called natural attrition. In addition to all that, it is also assumed that 50,000 people will be hired in the self-employment sector. These figures also include the hiring of about 75,000 trainees.

The present economic difficulties are already having a large impact on the standard of living. It is clear that it is not possible to spend beyond one's means, but it is also clear that there are quite a few people employed and members of their families who even now are barely managing to cover those basic costs necessary for existence. With all this in mind, it is understandable that the planners should have been restrained in forecasting incomes and the standard of living. The present formulation is that "with more dynamic economic development and creation of more space in distribution of the total available resources conditions will be created for a certain rise in the standard of living, in which personal consumption would rise, while the social standard of living would drop slightly."

To be sure, people in the Federal Committee for Labor, Health and Social Welfare Policy estimated that in 1985 the overall standard of living could increase in real terms about 2 percent over this year. We should bear in mind in this connection that everything indicates that at the end of this year the overall standard of living will be at the level of last year, while personal consumption would be up about 1 percent, and the social standard of living would be down about 5 percent. Even this speaks eloquently about the problems which are being created in this sector, which makes it all the more indispensable to take quite specific steps to protect the standard of living, especially that of the families with the lowest income, on which the Yugoslav trade unions are indeed insisting.

These are all only the first estimates of possible development in the coming year, estimates that in the further discussions will be subject to many checks so that more realistic quantifications result. It is clear in all of this that the figures themselves do not in fact mean much unless they are accompanied by all the measures indispensable to the invigoration of production, which is in fact the basis for all the other projections. Still, the most urgent thing is to ensure regular supply of the economy with raw materials and production supplies, along with greater use of commodity credits. At the same time the fundamental commitments concerning the indispensable need to take the burden off the economy more rapidly have to be implemented at a faster rate.

At the very start of the discussions we are once again hearing assurances that this time all the conditions for the conduct of economic activity will be in place in good time. To be sure, promises like that were also made in every previous year, especially at the end of 1983, but it still turned out that they were never fulfilled in many segments, which was in fact discussed at the last plenum of the LCY Central Committee. These "mistakes" must not be repeated, since now all the uncertainty about obtaining foreign financial support for our stabilization program has been cleared up.

7045
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LARGER SUPPLY OF MONEY, CREDIT SAID TO SPUR PRODUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jun 84 p 2

[Article by Radoslav Vuskanovic: "Money Supply at the Assigned Level"]

[Text] The tendency toward a more rapid growth of money and credit, which began in the first months of the year, is continuing in monetary-and-credit movements. Thus in April the money supply grew 52 billion dinars, and together with the growth that occurred in the first quarter, it reached 107 billion. This growth is somewhat larger than would correspond to the customary seasonal needs in this period, but it was in line with the global figure planned for 1984 (39 percent).

The larger growth of the money supply was in large part the consequence of a more moderate flow of money into nonmonetary deposits of the bank (accounts from which direct payment may not be made), since under the conditions of the restrictive monetary-and-credit policy last year, problems of liquidity as a whole, and above all the problems of liquidity of organizations of associated labor in the economy, became quite acute.

The Seasonal Shrinking of Money

That is why at the beginning of this year, in spite of the augmented creation of money, it was held for quite a long time in the giro accounts of users of public funds, and the customary transfer into nonmonetary deposits did not occur. However, even though a rather high volume of total money was held, the issue of the illiquidity of organizations of associated labor in the economy was not solved, since the money was transferred from their giro accounts to the giro accounts of sectors outside the economy.

The distribution of the money supply among sectors shows that there was the usual seasonal reduction of money in the accounts of organizations of associated labor and individuals and an increase for other social sectors, above all the self-managing communities of interest.

The large growth of the money resources of self-managing communities of interest is the result of larger appropriations on the basis of year-end statements for 1983, which is seasonal in nature. However, the growth of nearly 50 percent over December for self-managing communities of interest and

noneconomic activities must be judged excessively high. Quite considerable changes have also occurred in the structure of sources of creation of the money supply. First of all, the overall flows are taking place at a higher level, but to a certain extent there is also a change in the proportions of various flows. Net domestic assets of banks, including the results that occurred on the basis of the change in the rate of exchange of the dinar against foreign currencies, grew at a somewhat lower rate in the first 4 months than the growth anticipated for that period.

Bank lendings were somewhat greater than was assumed, and other net bank assets accounted for a high withdrawal of money from circulation. The growth of bank lendings was considerably larger than the growth in the same period of last year and also than envisaged. However, because of the opposite effects of other net assets and the fact that foreign exchange credits increased appreciably within lendings, this growth was not excessively expansive.

A Surplus With the Convertible Area

The more flexible monetary-credit policy has guaranteed organizations of associated labor the necessary additional amount of money for unhindered conduct of their business, which was helpful in achieving more favorable results in economic developments over the first 5 months than in the same period of last year. This especially applies to industrial output, which has grown in recent months, so that it has not only made up the drop in January and February, but has in fact achieved a certain growth. In view of the conditions that have been achieved, there is every prospect for the growth tendency to continue in coming months as well, which would make it possible to entirely achieve the planned growth for this year.

A particular impact of monetary-credit policy has been in the strong support of the economy oriented toward export, which has contributed to achievement of satisfactory results in certain sectors of foreign trade. We should especially emphasize in this connection that in the first 5 months a surplus was realized in the balance of payments with the convertible area, by contrast with the customary deficit in this period of the year.

As for domestic demand, the tendencies toward a real reduction of investments and of government and social service expenditure have continued, but personal consumption has been rising. This conclusion is reached on the basis of the movement of retail commodity sales, which in real terms were larger in March and April than in the same months of last year. That trend in retail commodity sales is not in line with the goals of stabilization, but it was an exceptional phenomenon caused by anticipation of the rise of prices after the decision to freeze them expired. However, even in May the situation was moderated somewhat, and it is expected that the increased growth of retail sales in March and April would be offset by its reduction in coming months, especially when we bear in mind continuation of the tendency toward a real reduction of personal incomes and an appreciable rise in interest rates.

7045
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SLOVENIAN VIEWS ON REPAYMENT OF FOREIGN DEBTS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 May 84 pp 13-14

[Article: "Foreign Loans: How Should Borrowing Be Done?"]

[Text] The systematic survey of foreign debt developments prepared by Sveto Kobal (former NBJ [National Bank of Yugoslavia] vice governor and National Bank of Slovenia governor), which was also discussed at the recent meeting of the League of Communists of Slovenia Central Committee Presidium's Commission for Ideological and Theoretical Work in the Field of Socio-Economic Relations, contains about 10 or so criticisms of the subsystem which was in effect at the end of 1983 and which, with minor changes, is still in effect.

The system in effect, Kobal observes, is formally based on the laws, but to an increasing extent they are in this regard just a simple list of authorizations pertaining to the SIV [Federal Executive Council], the NBJ, and other institutions which are the real elements of the system which channel foreign currency dealings of the OUR's [Organizations of Associated Labor]. A self-management agreement gets held up at the brink of completion or else such short deadlines are allowed for the agreement that it is already known in advance that the deadlines cannot be met and that the authorizing agencies' measures will go into effect. Within the framework of Yugoslavia's medium-term social plan for the 1980-1985 period, the social compact concerning foreign borrowing, which would be needed to replace annual agreements regarding the basis of foreign exchange policy, has not yet been arrived at. The uniform criteria in regard to foreign borrowing and approval of foreign credit do indeed represent some progress relative to former policy, but the intended utilization of the foreign credits still gives those criteria their basic imprint, and they are less concerned with the problem of repayment capability on the part of those incurring debt. It is stated that exporters have more favorable conditions, but in practice they are restricted by other regulations in the criteria. And insofar as the criteria are concerned with loan repayment capability, they confine themselves solely to the foreign exchange component as if loan repayment weren't also along with that a matter of generating the necessary accumulation [savings]. The loan guarantee capacity of banks is formally spelled out, but it has so many exceptions that it is in actual fact meaningless for the purpose of making a real determination of their ability to pay off loans.

Credit relationships with foreign countries are established almost exclusively within the framework of a credit arrangement linked to foreign support for stabilization in the Yugoslav economy. Over 95 percent of all financial credits go through the NBJ which assumes them in its own name and on its own account.

For the rescheduling of payment on principal that fell due in 1983 two systems were used. Some rescheduling was applied to banks which rescheduled loans (that they assumed or guaranteed) in their own name and on their own account. In spite of that, the banks required payment of principal from OUR's and with those financial resources provided coverage for groups which had jointly taken loans within Yugoslavia (anonymous banking capital was created that way). Other OUR's were asked by banks to reschedule their liabilities even if the former did not want to and were capable of making loan repayment. And that way a portion of the high costs of rescheduling was borne by the reliable OUR's capable of servicing debt. The latest change to the Law on Convertible Currency Payments requires compulsory rescheduling of the debts of OUR's regardless of whether they want to or not. That is a consequence of Yugoslavia's desire to maximize the scope of rescheduling without regard for the costs involved.

Commodity credits for production for export are allotted to OUR's via banks with shorter repayment periods than those for credits which they have contracted abroad. Built into those relations is a process of turning commodity credits into independent financial capital of the banks. Importing equipment on credit is in actual fact based on individual decisions by and permits from the SIV and above all based on proposals by the NBJ. The meeting of foreign financial obligations is ensured through complete solidarity on the part of all entities in Yugoslavia--the OUR's as well as the banks. There is a high level of sccialization in indebtedness present here, and the biggest role is played by the NBJ while the independence of business banks has been very much diminished.

The system is increasingly based on repeated creation of anonymous state capital, mostly in the NBJ framework but also in the framework of authorized banks. In a growing proportion of foreign borrowing there is no defined ultimate user of a particular loan, and hence no entity assuming full responsibility for timely repayment of it. In this type of situation the NBJ is both growing stronger in its domestic relationships and expanding its direct sources of foreign exchange so it can fulfill foreign obligations in terms of loans it has assumed and for other purposes.

In order to transcend this situation, Kobal is of the opinion that it is necessary to reaffirm as soon as possible the principle that only BOAL's [Basic Organizations of Associated Labor] be allowed to borrow abroad, BOAL's alone or in mutual self-management association, and themselves assuming full responsibility for repyament of debt. This, he stresses, is an irreplaceable and abiding principle which is not dependent just on a particular concrete situation, and which similarly should encompass in resource terms both domestic and foreign accumulation, and also in the closest association with it the principle of maintaining internal and external liquidity. In that

connection, banks are allowed to operate only as agents of associated labor entities and may not have "their own capital."

The application of this principle requires instruments and criteria for determining the capabilities of BOAL's and their broader associations for new borrowing--that is, determination of the "creditworthiness," including also banks that an associated labor entity has founded. Also such criteria, verified by an actual record of loan repayment in practice, should serve to provide an upper limit on new indebtedness, which has to be in accordance with the "creditworthiness" of the entire associated labor entity. It follows from this, concludes Kobal, that all varieties of borrowing "permits" run counter to the abovementioned principle. Anyway, actual practice has already shown that the system of administrative permits with borrowing quota allocation is not a licensing of debt contraction but represents de facto agreement that borrowing is done outside a framework of creditworthiness considerations--in other words, that there is perpetuation of loan repayment obligation on the part of some other entity or an entire associated labor entity which neither participated in taking out the loan nor assumed such obligations beforehand. The extreme and increasingly widespread form taken by the violation of the fundamental principle that only an entity able to repay in regular fashion may borrow, is so-called "credits for liquidity" in payments abroad where the true beneficiary of the loan is not specified and the repayment obligation falls to a bank, an entire associated labor entity, or the state. This refers in the first instance to loans the NBJ has taken and is taking out. When this form of loan assumption spreads, and is separated from a determination of realistic payback capability, then the question of "creditworthiness" gets transferred to the whole state and the control mechanism which should have presented a limitation on borrowing thereby, in fact, gets cancelled out.

Kobal asserts that the application of this principle (that a loan should be taken out only by an entity capable of doing so and of regular repayment) is not in conflict with the need to finance faster development of the less developed republics and the Kosovo SAP [Federal Autonomous Province]. In addition, he points out that up to now compacts concerning foreign borrowing opportunities for the less developed areas have represented not only an agreed framework for their borrowing but also a special form of guarantee on the part of all republics and provinces that the loans will be repaid regardless of the results accomplished by the actual users through incurring those loans. And he concludes that such access to borrowing represents a completely new form of assistance for the less developed areas--assistance which cannot be defined quantitatively or qualitatively and which, in fact, had neither been ever agreed to nor ever designated in that fashion in any document in force.

Insofar as less developed areas in Yugoslavia are not capable of foreign loan repayment, then the matter of such repayment cannot be resolved by purchase of foreign currency on the foreign exchange market but rather by means of a mutual decision that foreign exchange resources of associated labor in both the developed republics and the Vojvodina SAP be pooled for individual developmental investments agreed to on a prior basis. Kobal believes that

for loans already assumed a solution could be found by pooling foreign exchange in agreed frameworks and for projects of mutual interest, because the repayment of foreign loans, of which the less developed republics and the Kosovo SAP have had the benefit and in accordance with the compact will continue to have the benefit, should be treated as an integral part of the income linkages established through pooling 50 percent of dinar resources for those areas. Thus, income relations (including both dinar and foreign currency relations) are built in a framework of long-term mutual interests. And only in that way can the unresolved issues of foreign loan utilization be adequately resolved, and hence the basic constitutional principle be applied to the less developed areas that responsibility for loan repayment must be borne by the entity which benefited from the loans.

The determination of borrowing capability for individual OUR's must, Kobal feels, include as factors their capabilities in both dinar and foreign currency terms, and furthermore it is only the so-called historical criterion which needs to be applied, which is to say the criterion of data based on the results they achieved during the preceding years, and hence the general creditworthiness of the OUR's. In no case, it is emphasized, can loans be allocated on the basis of promises from miscellaneous reports and proposals on the part of investors, or in other words on the basis of expectations that production will generate accumulation and that the greater part of the production will be for export. Loan repayment capability in dinar terms can be deduced from data on the amount of annual debt repayment from preceding years and on the sum of financial resources set aside in the business fund in the annual balance sheet or, otherwise, from a review of losses. All previous loans must be taken into account, and if the amount of annual debt repayment for those loans exceeds an OUR's defined borrowing capacity, that would be evidence that the OUR in question did not have borrowing capacity but rather was in the reverse situation. To the dinar liability factors one can add the obligations in foreign loans from countries with clearing accounts. Loan repayment capacity in foreign exchange terms would have to depend on convertible currency export figures in the preceding years, also taking into consideration existing foreign debt burdens.

For the purpose of defining overall borrowing capacity both elements, dinar and foreign currency, must be taken equally into consideration. OUR's may maintain thus defined borrowing capacity in a framework of income relations [with other OURs, etc.], but in that case joint borrowing capacity must remain the same. The Social Accounting Service would have to be responsible for publishing the status of borrowing capacity for each individual OUR, based, of course, on the defined criteria. Banks must operate strictly as agents only, which is to say in their own name and on their own account. In the event of loan assumption in their own name and on their own account, they must receive agreement from all their founders that they will, taking into account all OUR obligations, jointly pay back the loan in question and cut their own borrowing capacity.

9631
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FAVORABLE ENERGY SITUATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Jun 84 p 4

[Text] The energy situation at the end of the spring, viewed as a whole, is not so bad. If last fall, the lengthy winter and the cold spring confirmed earlier assessments of high energy consumption in this period and a possible shortage before the beginning of summer, it must be said that the situation is nevertheless taking a turn for the better. It is certain that the miners are not slacking up for the present. In the first 4 months they produced 21,394,000 tons of coal, more precisely, 2.2 million tons, or 11.5 percent, more than in this period of last year. Output is even up 1.8 percent over what was envisaged by the country's energy balance for this period.

The miners are undoubtedly disturbed because there have been few changes in the conditions for the conduct of economic activity. At a recent meeting in Zagreb it was stated that there have been no mistaken investment projects in coal production. But even though it is following an upward line and is setting the pace in industry, the financial results have not been satisfactory. Year-end statements for the past year show that losses occurred in the production of lignite, brown coal, and bituminous or better coal, both in strip mining and in underground mining. When we realize that in 1983 coal production was up 4,728,000 tons, or 8.7 percent, over the previous year, the question is how losses could have occurred in the amount of almost 3.5 billion dinars, nearly triple what they were in the previous year. Most important, there are losses from 1981 which have not yet been covered, and at present it is difficult to find someone who will furnish emergency financial aid. In addition, the inflow of resources for investments is slow regardless of the basis, and of the anticipated $190 million to import new machinery, spare parts and safety devices, little has been realized. However, obvious efforts have been made to produce the 64 million tons of coal planned for 1984.

Petroleum and Petroleum Products--A Riddle Once Again This Year

Petroleum and petroleum products will probably be a riddle once again this year. In the first 5 months only 78 percent of the anticipated quantities of crude petroleum were imported, almost one-fourth less than was anticipated. Production in our own oil fields in the first 3 months was down 5 percent from the planned figure. There are no signs of correction, since in that case geological explorations would have to be intensified, imported equipment

would have to be completed, and spare parts from abroad, the shortage of which is virtually chronic, would have to be purchased for the existing machines.

The prices of liquid fuel were also adjusted appreciably not long ago. Now that they have reached such a level, and will in future be adjusted every 3 months depending on the strength of the dinar and the rise of convertible currencies, the issue of whether gasoline and diesel fuel ration coupons are abolished or not is probably not all that essential. From that standpoint perhaps they should be eliminated, but as long as actual imports of crude petroleum are lagging behind, the question is who would dare to take that risk?

It was recently stated in the Economic Chamber of Yugoslavia that everything will be done to prevent an interruption during the harvest which might be caused by even a brief shortage of diesel fuel and other petroleum products. It is superfluous to even mention the reasons why imports are lagging. The inflow of funds into the National Bank has not been speeded up even with the enforcement of legal regulations. The delays are obvious, so that occasional interventions by the Federal Executive Council have been inevitable.

Hydroplants Have Taken Advantage of Their Opportunity

One such intervention is under way, and it involves 300,000 tons (half from the convertible and half from the bilateral payments area). There have been occasional shortages of petroleum products, kerosene and primary gasoline. In the first case air transportation was affected, and in the second the petrochemical industry. It is quite certain that only harvest operations and the tourist season will show how stable or subject to fluctuation conditions are on the market for petroleum products. The critical period, then, is July and September.

The electric power industry is not causing any worry whatsoever. The supply of power to consumers has been normalized, and that situation ought to remain unchanged up until the fall, perhaps even right up to the beginning of winter. It was above all hydrology that contributed to the more favorable turn of events. Although even in late March it seemed that reductions were inevitable because of the virtually emptied storage reservoirs, the melting snow and abundant spring rains have raised river levels on a more lasting basis. And since 1 April storage reservoirs have received enough water to generate 3.7 billion kwh. More precisely, storage reservoirs contain 500 million kwh more power than was planned for this period of the year. Since power consumption has been reduced in the daytime and nighttime to 155-160 million kwh, it is clear that the electric power situation is stable. Consumption has actually fallen off from the winter, when even an output of 211 million kwh a day was not enough to meet the needs of consumers, and rather severe reductions were introduced.

By the end of the year the country's electric power system ought to reach a capacity of almost 19,000 Mw. Hydroplants and thermal electric power plants, however, are unable to generate the necessary 77 billion kwh, but 73 billion at the most. In the first quarter the reductions amounted to 1 billion kwh,

and at the moment the estimate is that the power shortage this year, certainly in the last months of the year, when consumption is highest, could amount to about 2.5 billion kwh. It is truly a good thing that the debt of 1.5 billion kwh of electric power abroad has been reduced to only 300 million kwh. The lasting consolidation of the situation in the electric power industry will nevertheless be possible only when new power plants and mines are built more quickly.

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AUTHORS OF BOOK ON ORIGINS OF CURRENT CRISIS SPEAK OUT

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1743, 27 May 84 pp 12-13

[Interview with Dr Dragisa Pavlovic and Dr Ivan Stojanovic, authors of the book "Ko radnike vezuje laznim koncima" (Who Is Tying Up the Workers With False Threads), by Scepan Rabrenovic: "A Ball of False Threads"; date and place not specified]

[Text] "Why would a man have to be in favor of 'civil liberties' or for 'real socialism,' and only then to criticize the present features of the self-management system or the practice of self-management?"

This is the opening sentence in the book "Ko radnike vezuje laznim koncima" (published by BIGZ [Belgrade Publishing and Printing Institution], Belgrade) by two 40-year-old economists: Dr Dragisa Pavlovic, president of the Economic Chamber of Belgrade, and Dr Ivan Stojanovic, associate professor in the School of Economics at Belgrade University.

The sentence is in fact indicative of the extent to which the book has been set in the present time and how topical it is. It is not debating with yesterday, nor tomorrow--it is debating with this very day in which so much confusion has accumulated with respect to the economic thought of self-management socialism. Moreover, the authors are not debating with anonymous thinkers, they are naming every politician and every economist with whom they do not agree. They take pains, and they are successful, to offer considerably fewer epithets, and considerably more arguments.

In answer to the question of what caused them to write a book with that title, which Dr Ljubisav Markovic, professor, says is not a good one ("A better one would have been 'Socialism Promised and Socialism Earned'"), while Dr Zoran Pjanic, professor, said that it is a book of instructions on how to read the Long-Range Economic Stabilization Program, Dr Ivan Stojanovic answers:

"Yugoslavia is in a serious economic crisis, and this has been a challenge for us economists to ascertain the causes of the crisis and ways of getting out of it.

"As far as we have been able to learn, one of the principal causes of the present crisis lies in the present economic system. An erroneous thesis has been in circulation, and indeed still is: the system is good, it is only our practice which is bad. Certain theoretical conceptions which were politically dominant have influenced the adoption of numerous so-called 'system' laws, and when all this was added up, we actually got an 'economy without coercion,' an economy based on consciousness or, in popular terms, a consensus economy in which there is a lot of trickery, illusion. This is a theoretical concept in which the main idea is that socialism, in our context self-management socialism, if it wants to move to a more highly developed stage--should radically--in ultraleft fashion--eliminate on the one hand the laws of commodity production and on the other the state as a factor influencing economic flows, and to organize the economy more or less on the principle of universal conclusion of compacts and accords."

Dr Dragisa Pavlovic: "Even the Basic Premises of the Long-Range Economic Stabilization Program set forth altogether clear views of the necessity to reaffirm economic laws. The insistence on concluding accords and compacts on absolutely everything, that is the road toward formal socialism and toward further bureaucratization of society. Without calling the conclusion of accords and compacts into question, there are still things we cannot decide by agreement--a realistic rate of interest and a realistic rate of depreciation, for example. However, it is essential that the market, the state, the pooling of labor and capital, and the conclusion of accords and compacts not be antipodes, but complementary mechanisms for the regulation of economic and social flows."

A Time for Reassessment

[Question] You wrote in the introduction to the book that "the only good thing about the present crisis is that it has made everything more visible and has thrown out everything that was erroneous." Did we have to wait for a crisis of this kind to begin reassessing the mistakes?

Pavlovic: This is not our first reassessment, it has just been staged in a more acute form. The formation of the so-called Kraigher Commission was the beginning of the organized reassessment and of the present economic system, and the Basic Premises of the Long-Range Economic Stabilization Program, which were adopted by the 12th LCY Congress, were a result of that reassessment. Further reassessment led to adoption of the Stabilization Program itself.

Stojanovic: Yugoslavia has always been inclined to reassessment, so that it cannot be said that the reassessments have begun now. Yugoslavia has recognized that a pluralism of interests exists under socialism, and that means that there are heterogeneous interests. And if they exist, then reassessments are quite normal. Especially to constantly put questions as to which interests and whose interests are dominant.

[Question] The Stabilization Program was adopted a year ago, but as for changes in the economic system we find ourselves almost at the very beginning. Why so much hesitation?

Stojanovic: A serious analysis would show that most of the hesitation in implementing the Stabilization Program is because of the existence of the differing interests of the various parts of Yugoslavia but also of the differing interests of individual social strata in Yugoslavia.

That kind of hesitation, to go on, can be explained by a neglect of long-range interests on behalf of short-term interests. The Long-Range Economic Stabilization Program, when it is implemented, will certainly injure certain short-term interests of certain parts of the entity referred to as Yugoslavia.

Pavlovic: Nor can the ideological resistance be neglected. Here are examples: Have we discussed in ideological and theoretical terms whether appropriation on the basis of past social labor is exploitation or not? It seems that we have, but this has been distorted. Not only because we have neglected the existence and role of past social labor, but in linguistic terms we have squeezed the life out of the words "social capital." It is natural, then, that we have also proclaimed purchase-and-sales relations to be antagonistic under the conditions of the creation of social ownership of the means of production. As a matter of fact, the purchase-and-sales relationship is an elementary relationship of rationality in an economy, and the conflict of interests between the purchaser and the seller is that conflict which can guarantee optimality in the economy. Thus in the struggle against economism we have enveloped in a fog certain elementary things in economics.

Stojanovic: The conventional purchase-and-sales relationship can often guarantee a higher equivalence in the exchange of labor and resources than the kind of self-management accords we have had in our practice.

Between the Real World and Desires

[Question] How could we have gotten so far off the track as to have a barter economy instead of a self-managed economy?

Stojanovic: Criticism of everything pertaining to the conventional relationship in commodity production came from the strong influence of one current in theoretical thought: criticism of purchase-and-sales relationships, criticism of credit relations, criticism of relations based on past labor, criticism of the charge for capital.

Pavlovic: As though we fell into the traps of silent apparitions. Not a single one of those apparitions affords us the present means of making it possible for us to immediately attain the long-term goals which we have set. When the resources are smaller than the goals, and that has been the case, then we get into a crisis. Our basic point of departure before we began to write the book was the real world and not desires. Put simply, necessity has to come ahead of need. We have checked out the postulates of the system in practice. As far as interpretation of the system is concerned, truthfulness of interpretation cannot be guaranteed by merely quoting the constitution and the Law on Associated Labor. Interpretation is not merely a question of knowledge, but also of commitment. And what the real reality is we know

today and we are giving ourselves lectures on this by recognizing the necessity of interest, the necessity of a realistic rate of exchange of the dinar, the necessity of a realistic rate of depreciation. Unless we honor those realities, we could easily find ourselves arriving at some "socialism" we would not wish for.

What is more than debatable today is that in our development we have skipped over a period, we have as a matter of fact skipped over the time of "social capital." We are now paying for the belief that that period could be skipped.

Stojanovic: That skipping of time and the neglect of reality, a reality which in simple terms is called commodity production, has actually given the bureaucracy the conditions for taking power.

Pavlovic: Is it not turning out that the Long-Range Economic Stabilization Program is being most opposed by precisely those who best understand it and who know what kind of changes it imposes?

Criticism of Criticism

[Question] For example, those who advocate change are being referred to as conservatives. That might also happen to you.

Stojanovic: Let it. Only let those who say that we have made the best economic and political system explain this present crisis.

Pavlovic: It is not true that every government measure represents statism, just as it is not true that every decision of some workers' council automatically signifies that it represents self-management. By adopting the Long-Range Economic Stabilization Program we also adopted certain other criteria in evaluating what it means to say something is in line with self-management. We said: everything that is against raising the social productivity of labor, that is against economy, that is against self-management. If self-management is a higher and more progressive system, it ought to affirm itself as economically more efficient.

All criticism should not be smothered solely because it is criticism, it has to be opposed with arguments. Take, for example, the criticism of the criticism of the functioning of the basic organization of associated labor. The essential thing is this: the OOUR [basic organization of associated labor] must produce a value which is confirmed on the market; if it cannot, then it is some caricatural OOUR, not a self-managed OOUR.

[Question] One gets the impression that many discussions are being conducted in Yugoslavia as monologues. One such is the discussion of what it means to talk of national economies, that is, the economies of republics and provinces.

Stojanovic: I think that the so-called national economies have arisen in part from the constitutional commitment that the republics and provinces are responsible for their own development. That commitment is always quoted in

defense, but the quote does not go on to what follows: that the republics and provinces are also responsible for Yugoslavia's development. It seems that certain forces which do actually exist in our country find it more in their interest to honor the first element, but not the first and second elements of that constitutional principle together. That is how we have arrived at decentralized statism.

Encapsulization suits decentralized statisms, or, put better, the bureaucracies of the republics and provinces. Under the constitution the supreme economic principles ought to be the unified Yugoslav market, the production of commodities, production for the market, production of value. Of course, the decisive thing is the positions from which the so-called national economies and our system as a whole are criticized. I believe that we have managed in the book to distance ourselves from various bodies of criticism whose real positions are anticommunism, antisocialism and opposition to self-management.

Pavlovic: Why do we reduce Yugoslav self-management, which presupposes conduct of economic activity on the market, social planning and socialist solidarity of the working class, to an either-or proposition and put the question: Will Yugoslavia develop as a democratic and self-managed community of equal people or as a community of equal nationalities and ethnic minorities? This is the wrong question. If we want the development of self-management, which, I repeat, presupposes a market economy, planning and socialist solidarity, we must develop among the nationalities and ethnic minorities in Yugoslavia the same relations as among people. That is why we say that socialist self-management is the solution both to the class issue and also to the nationality issue, but it is not a solution for setting one in opposition to the other.

What is wrong in our country?

What is wrong is that we do not have a market economy, nor planning, nor socialist solidarity, not at least as much or the kind we ought to have, but on the other hand we do have invented dilemmas, sleight-of-hand and mystification. We have abolished market criteria for the conduct of economic activity before we honor them, we are not honoring the existence of social capital, but then it comes back to us through various encapsulizations and through the imposition of "national capital," which under our conditions takes the form of decentralized statism, and sometimes even as nationalism.

[Box, pp 12-13]

Recollection of Folk Customs

"There is a horror, quite clearly, of a revival of the proprietal capital relationship, and there will continue to be. Let them pass us by, ahead of all the woes of the economic crisis, both 'Mister Capital' and 'Mister State.' We have not come to desire any proprietal capital relationships either in the private or the government form. However, we will not get rid of them with fear, and certainly it will not pass us by only because in theory and practice we have hushed up the economic role of social capital in the production of value. On the contrary.

"Nevertheless, this is done in certain interpretations of the 'system' laws. Certain theoreticians of the 'self-management association of labor' recommend that we do not buy and sell the resources of society, but simply pool them, since they have already become truly social. There are explanations and justifications, and so the resources are not lent, but once again are simply released, even without any sort of compensation. The 'socialization' of resources for production so conceived becomes in actuality a form of the alienation of labor, of past labor, of social capital, from the workers. It would be a good thing at this point just to recall some folk customs in associated labor: every borrowed worker and every borrowed workday must be paid back, that is, worked off, and when we are talking about borrowed plowing, then it must be paid back in the same terms. But only recently have we recalled this by saying that credits have to be paid back by the one who used them. What a revelation! The folk customs of that time in associated labor pursued the principal purpose of making it possible with concerted strength to perform certain urgent jobs in the fields and other jobs."

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MOTOR VEHICLE PRODUCTION, 1983

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 May 84 p 32

[Article: "Motor Vehicles: Minimal Growth"]

[Text] According to Federal Bureau of Statistics data, the Yugoslav motor vehicle industry produced a total of 370,757 of the various types of motor vehicles in 1983.

In comparison with 1982, the preceding year, a production increase of a total of 7,490 vehicles, or 2.1 percent, was noted. Contributing to this upward movement in production were increases for all vehicle types except trucks, where production declined a little, but even that was by only 172 trucks in all.

The following numbers of motor vehicles, by category, were produced in the last 2 years:

Table 1: Motor Vehicle Production in Yugoslavia

Category	1982	1983	Precentage Increase (+) or Decrease (-)
Automobiles	218,764	219,614	+0.4
Tractors	52,296	55,852	+6.8
Trucks	16,610	16,438	-1.0
Buses	3,863	4,381	+13.4
Motorcyles and Motor Scooters	71,734	74,471	+3.8
Total	363,267	370,757	+2.1

Considering the great importance and role of the automobile sector, this next overview shows production of those vehicles for the last 5 years (with percentages of increase or decrease compared with the preceding year):

Table 2: Automobile Production in Yugoslavia

Year	Number of Automobiles	Precentage Increase/Decrease
1979	279,011	+ 9.9
1980	254,778	- 8.7
1981	241,555	- 5.2
1982	218,764	- 9.4
1983	219,614	+ 0.4

The figures for automobiles produced also include vehicles assembled from imported parts, which amounted to 65,433 automobiles in 1979, 61,427 in 1980, 54,551 in 1981, 54,092 in 1982, and 51,988 in 1983.

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